Austria Sch22	Indonesia Rp3100	Portugal Esc120
Bahrain Din0.650	Israel NIS3.50	S Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ...... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta145
Cyprus ...... C£0.40	Jordan Fils500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt ...... E£2.25	Lebanon ...... S£125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia Rm4.25	Thailand Bt50
Germany DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong ...... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway NKr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Is there a British economic miracle? Page 17

World News

W German police battle to control soccer mobs

Police charged hundreds of marauding West German soccer fans in the centre of Düsseldorf as violence flared after the Netherlands beat England in the European championship. Lines of police tried to disperse a chanting German mob which was running towards the railway station, *scene of serious clashes on Tuesday* night. Following violence at the championships, tough measures *to curb football* hooliganism will be considered today at a meeting in London chaired by Mrs Margaret Thatcher, the British Prime Minister. Page 18

Four die in blast

Four people were killed and many injured in a bomb attack last night in Lisburn, County Antrim, Northern Ireland. There was no warning before the blast in a lorry parked near the town centre.

Arab killed in blockade

A 21-year-old Arab was killed in clashes with Israeli soldiers as Palestinians blocked roads during a day-long general strike in the West Bank and Gaza Strip.

Dalai Lama proposal

The Dalai Lama, exiled spiritual leader of Tibet, launched a compromise plan for his country's partial independence from China, recognising China's right to handle Tibet's foreign affairs. Page 4

Afghan border fight

Thirty Moslem guerrillas were reported killed in fighting over a key Afghan border post just inside the border near Pakistan. There were also conflicting claims that the country's Air Force chief had been killed.

Fabius challenge

Mr Laurent Fabius, former socialist Prime Minister, made clear his intention to seek the Presidency of the French National Assembly, in a challenge to the previous incumbent, Mr Jacques Chaban-Delmas, a Gaullist baron and former prime minister.

Remaking Soviet history

Soviet educators cancelled history exams for 53m pupils and ordered massive revisions in history textbooks because they said much of what has been taught is false. Page 2

Vietnamese withdrawal

Vietnam announced it would withdraw its military command from Kampuchea on June 30 as part of a pullout of 50,000 troops by the end of the year.

Prayers in the woods

Outlawed Ukrainian Catholics celebrated the 1,000th anniversary of Kiev's conversion to Christianity by holding secret Masses in forests. Catholic talks in Moscow, Page 2

Toxic waste treaty

An international treaty controlling hazardous waste disposal could be signed by next March but might take years to implement, a UN Environment Programme (UNEP) official said.

Sikh gunmen kill 10

Sikh extremists gunned down 10 people, including five Hindus, in the northern state of Punjab. The latest killings raised to 1,304 the number of people killed in Punjab since January.

Panama leadership

West Germany recognised acting Panamanian President Manuel Solis Palma when its new ambassador, Mr Klaus Meixner, presented his credentials at the presidential palace.

Soweto Day

Commemorative services are scheduled today in black townships nationwide to mark the 12th anniversary of the student uprising in Soweto.

Business Summary

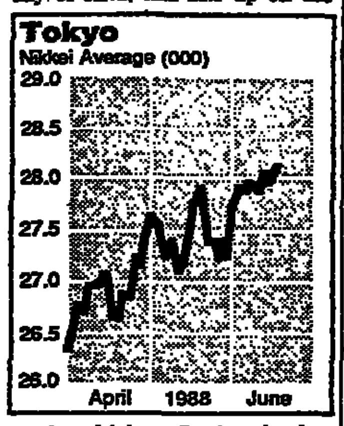
Clowes arrested by Fraud Squad

PETER CLOWES, millionaire *fund manager at the heart of the* Barlow Clowes affair, was last night being questioned by police in London after being seized by fraud squad detectives in a dramatic breakfast-time operation. Page 18

BANK OF NEW YORK increased by about 10 per cent the value of its bid for Irving Bank, its large Wall Street rival, but no end seemed in sight to the nine-month battle over Irving's future. Page 19

WALL STREET: The Dow Jones industrial average closed up 6.93 at 2,130.40. Page 40

TOKYO: The Nikkei index closed at a record 28,093.52, a rise on the day of 31.72, and 21.5 up on the previous highest. During the day the index touched 28,294.06. World stock markets, Page 40



DOLLAR closed in New York at DM1.7545, Y126.32, SFr1.4680 and FFr5.9125. It closed in London at DM1.7530 (DM1.7465); Y126.20 (Y126.40); SFr1.4660 (SFr1.4625); FFr5.9125 (FFr5.8900). Page 29

STERLING closed in New York at $1.7870. It closed in London at $1.7865 ($1.7850); DM3.1325 (DM3.1175); Y225.50 (unchanged); SFr2.6200 (SFr2.6100); FFr10.5625 (FFr10.5150). Page 29

FRENCH Stock Exchange is due to rule today on the long-suspended offer by Schneider, the construction and electrical equipment group, for Télémécanique, the industrial automation specialist. Page 21

ALAN CLORE'S ill-fated involvement in the US aluminium industry *ended yesterday when the* British financier, son of the late Sir Charles Clore, resigned as chairman of KaiserTech. Page 19

SOVIET UNION: Sweeping plans for economic reform, including removal of virtually all consumer industries from central planning and introduction of interest rates to control credit, have been put forward for this month's Communist Party conference. Page 3

MALAYSIA commissioned Schroders, the British merchant bank, to draw up a *plan for its* privatisation programme.

BRITISH PETROLEUM is closer to its $250m (£139.8m) acquisition of US gas distribution company Lear Petroleum, whose board has recommended the deal, which is supported by preferred stock holders. Page 24

GENCORP, US manufacturer of automotive and defence components, has reported a first-half recovery from the restructuring which drove it into the red last year. Page 29

IAN HAY DAVISON, former chief executive of Lloyd's of London, has been appointed chairman of CL-Alexanders Laing & Cruickshank, the London investment banking arm of Crédit Lyonnais, the large French state-owned bank. Page 19

AMERICAN STORES, largest US supermarket chain following its recent $2.5bn takeover of Lucky Stores, warned that profits for the remainder of the year would be severely depressed because of the cost of financing the deal. Page 19

UK CENTRAL Electricity Generating Board confirmed that Control Data Corporation of Minneapolis had won a £26m ($50m) contract

US farmers fear for crops as heat and futures surge

BY DEBORAH HARGREAVES IN CHICAGO

THE US Department of Agriculture has declared a drought emergency in 18 states as soaring temperatures and relentless dry weather threaten the farm belt.

The conditions have led to a surge in farm commodity prices on the Chicago futures exchange.

Mr Richard Lyng, US Secretary of Agriculture, was yesterday briefing vice president George Bush and Senate minority leader Robert Dole on the drought.

Mr Lyng told Congress on Tuesday that major parts of the US were nearing a crop disaster. A bi-partisan congressional group was set up to monitor the drought and to discuss aid to farmers. Cattle pasture conditions are the worst since the 1934 Dust Bowl and livestock has been sent to market earlier than usual because of a lack of grazing.

Farmers in the emergency states, from the Rocky Mountains to Texas, have been allowed to reopen land set aside under a government programme to curb overproduction. The land is being used for grazing or haymaking but offers little respite because its growth has also been stunted by dry weather.

In the cornbelt, the next two weeks are crucial to the fate of corn (maize) and soyabean crops.

Mr David Senter of the American Agriculture Movement, a farm lobby, says: "In two more weeks we will be getting past the time for planting more soyabeans and past the point of return for corn."

Farmers in Illinois can usually plant soyabeans until the start of July to replace seeds that did not germinate at first planting.

Crop yields are already expected to be low this year because the drought has occurred so soon after farmers in the Midwest completed their plantings, depriving seeds of moisture for germination.

In addition, farmers with irrigation systems are being forced to use them two months earlier than usual, substantially pushing up their production costs.

The long-range forecast makes portions of the eastern cornbelt look the most vulnerable, the US Weather Bureau says. Dry weather has continued for long enough to deplete reserves of subsoil moisture. This makes any relief from showers, forecast for today, likely to be only temporary.

Commodity traders at the Chicago Board of Trade have seized on the drought to extend the surge in grain prices, already soaring this year as the US pulls itself out of its farm crisis.

Trading in the exchange's grain futures contracts has been frenzied as farmers have also rushed to hedge against crop damage in a long drought.

However, grain prices have staged wide swings in the past couple of days amid uncertainty about the weather outlook.

Mr Steve Freed, grains analyst at Dean Witter, the financial arm of Sears Roebuck, says traders on the exchange floor have become

Continued on Page 18

Bonn proposes extra DM4bn funding for possible Airbus losses

BY DAVID MARSH IN BONN

THE West German Economics Ministry has offered additional budgetary guarantees of up to DM4bn ($2.3bn) to cover possible exchange rate-related losses on sales of the European Airbus airliner during the 1990s.

The plan, which gained general backing at a ministerial meeting in Bonn last week, is intensely controversial and a final decision will not be taken until later this summer or in the autumn.

It is likely that any extra financing will anger the US Government, which has fought a long-running battle with Airbus partners in an effort to phase out subsidies in world aircraft manufacturing.

The proposed extra funding is part of an attempt to persuade Daimler-Benz, the West German motor and electricals conglomerate, to take a controlling stake in Messerschmitt-Bölkow-Blohm, the aerospace concern which is West Germany's shareholder in the four-nation European Airbus project. MBB is currently majority owned by the public sector.

The offer, which has yet to be approved by the full Bonn Government, also includes a plan by the Government to take a small direct stake, perhaps about 5 per cent, in the Toulouse-based Airbus Industrie consortium comprising the French, West German, British and Spanish aerospace groups.

Proposals for Daimler-Benz to take more than 30 per cent of MBB as well as management control are being given strong political backing in Bonn, where it is seen as a way of safeguarding the future of the heavily subsidised Airbus project and restructuring.

In recent years, Daimler, West Germany's largest company, has acquired the AEG electricals group, Dornier in aerospace and MTU in aero-engines. Takeover of MBB would create a giant with turnover of DM74bn straddling all parts of the country's aerospace and defence technology industries.

Mr Wolfgang Kartte, chairman of the Federal Cartel Office, which would have to vet any deal, said last night that while his office's decision would have to be made on the criteria of market dominance, as a private citizen, he would feel "unease" at the "concentration of economic might" brought about by a Daimler-MBB link.

In more than a year of tough negotiations, Daimler-Benz has refused to countenance an MBB takeover unless the Government agreed to take over a large part of present and future risks concerning West German participation in Airbus. Daimler's hard line, characterised as "poker" by senior Bonn officials, has split the Government.

Mr Gerhard Stoltenberg, the Finance Minister, reluctantly agreed last year to spend a total DM4.9bn up to 1996 to back development of the new A-330/340 models. Mr Stoltenberg agrees on the need for more help to clean up the Airbus balance sheet, but he is trying to secure a bigger commitment from Daimler.

Further talks on details of an MBB takeover are likely to focus on the nature of the proposed exchange rate guarantee to cover Airbus business. The Economics Ministry has suggested indemnifying MBB, which has a 37.9 per cent stake in Airbus Industrie through its Deutsche Airbus subsidiary, for at least part of losses which could arise should the dollar fall below DM1.60. A fall in the dollar, the currency in which airliners are priced internationally, penalises Airbus's European partners whose costs are largely in European currencies. Last summer's budgetary contributions were agreed on the assumption of a dollar at DM2.

US rivals' proposals sought

BY GUY DE JONQUIERES, INTERNATIONAL BUSINESS EDITOR, IN LONDON

AIRBUS INDUSTRIE is asking Lockheed and McDonnell Douglas of the US to make firm proposals by October for collaboration on development and production of a 180 to 200-seat version of the European consortium's A320 short-haul passenger aircraft.

The rival proposals would be put to the Airbus Industrie board. It would be asked to decide by early next year whether to proceed with a "stretched" version of the A320, and if so, whether to do so alone or in partnership with one of the American companies.

The managers of Airbus Industrie want both to expand the A320's potential market and to increase production, which is due to rise in stages from two to eight aircraft a month by mid-1990. Airbus Industrie thinks it could sustain monthly output of as many as 12 of the aircraft by 1991, but would need a second assembly line.

This would cost an estimated $100-150m, while developing a stretched version of the aircraft would involve an investment about three times larger.

Airbus Industrie managers recognise that its four member companies may be reluctant to agree to these investments while revenue from Airbus sales is being hard hit by the fall of the dollar, the currency in which commercial aircraft sales are priced.

The American companies are therefore being asked to submit proposals for collaboration which would involve both financial risk-sharing and production of the A320 in the US.

Airbus Industrie says its discussions with Lockheed, which were first disclosed last month, are much more advanced than those with McDonnell Douglas, which have been under way sporadically for more than a year.

Continued on Page 18

Soviet press says Armenian issue may hurt reform

BY QUENTIN PEEL IN MOSCOW

THE SOVIET PRESS warned yesterday that ethnic unrest in Armenia, where the Supreme Soviet has endorsed popular demands for a boundary change in the republic's favour, could undermine Mr Mikhail Gorbachev's reforms and boost the strength of conservatives.

At the same time, Pravda newspaper published proposals for sweeping changes in the Soviet economy, including the removal of most consumer industries from the centrally planned economy and the introduction of interest rates to ration credit.

The proposals, clearly intended for debate at the forthcoming Communist Party conference, also envisage the establishment of a competitive banking sector and by implication, a bankruptcy procedure.

In Yerevan, the Armenian capital, the republic's Supreme Soviet (parliament) backed demands for unification with the mountain enclave of Nagorno-Karabakh in neighbouring Azerbaijan.

The move confirms the mass popular support in the republic for a border change, which is strenuously opposed by Azerbaijan itself and resisted by Moscow.

It seems certain simply to aggravate the pressure on Mr Mikhail Gorbachev, the Soviet leader, to find some way of defusing a dangerous ethnic and religious rivalry between the two republics. Armenia and Nagorno-Karabakh are majority Christian, whereas most of Azerbaijan is Moslem.

The first open political comment on the disturbances was published yesterday in Komsomolskaya Pravda – journal of the youth wing of the Communist Party – which warned that the whole situation in TransCaucasia was "a blow at perestroika, ... A challenge to the ideals of glasnost (and) a chance for conservatives to strengthen their point of view."

The newspaper called for a curb on protests, which in Nagorno-Karabakh itself have left the ruling party and government agencies confessing themselves out of control. However, the vote of the Armenian Supreme Soviet, although a largely symbolic body, has given the nationalist protest an official credibility.

Its views were the opposite to those expressed by the praesidium of the Azerbaijan Supreme Soviet only last weekend, whose members rejected any separatist move from the enclave.

So far Mr Gorbachev and fellow members of the ruling Politburo have rejected the Armenian demands, but they have agreed to a big programme of investment in the enclave and to promote more Armenian control and culture there.

However, the nationalist feelings have been further inflamed by the trials of the Sumgait rioters, the first of which produced a jail sentence of 15 years for a youth who confessed to murder.

Remaking history, Page 2

Honecker rejects Soviet reforms

Mr Erich Honecker, the East German leader, has rejected any idea that he should adopt the political and economic reforms being implemented by Mr Mikhail Gorbachev, the Soviet leader. "Present developments in the Soviet Union have arisen from Soviet needs," he said in an interview published yesterday. Page 18

Rockefellers forge link with French industrial dynasty

By Paul Betts in Paris

THE ROCKEFELLERS are forging links with the Wendels, France's oldest industrial dynasty, bringing together America's former oil barons and the former steel barons of France.

Rockefeller and Co, the investment advisory company which manages the $4bn assets of the 85 Rockefeller heirs, plans to invest between FFr450m and FFr500m ($85m) in Marine-Wendel. This is a holding company 60 per cent controlled by the 360 heirs of the Wendel family grouped together in another family holding called Les petits-fils de François de Wendel et Cie.

Through Marine-Wendel, the Wendel heirs own 45.3 per cent of Compagnie Générale d'Industrie et de Participations (CGIP) formed with the leftovers of the Wendel industrial assets after the nationalisation of their Sacilor steel group in 1978.

From the ashes of the steel industry of Lorraine, CGIP has revived the family fortunes by moving into new high technology and industrial sectors.

With annual sales of FFr10bn and profits excluding minority interests last year of FFr550m, CGIP is the principal shareholder in the Cap Gemini electronic software group and of the Carnaud packaging concern.

The Rockefellers are expected to acquire a stake of up to *10 per cent in Marine-Wendel* through a new share issue with warrants due to be approved next month. The shares will be issued above the current market price, but the Wendel family will continue to hold majority control.

The Rockefellers and CGIP have already been associated in venture capital activities in the Far East. But the decision of the American industrial and financial dynasty to invest directly in the Marine-Wendel holding reflects in large measure the friendship between Mr David Rockefeller, the former chairman of Chase Manhattan, and Baron Ernest-Antoine Seillière, the chairman of CGIP, who represents the ninth generation of the Wendel steel dynasty.

The Wendels started building their steel empire in 1704. By the beginning of this century, they rivalled the Krupps, the Du Ponts and even the Rockefellers themselves in industrial wealth until they

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France and Iran restore ties

BY IAN DAVIDSON IN PARIS AND ANDREW GOWERS IN LONDON

FRANCE and Iran are to restore diplomatic relations today.

The restoration of diplomatic links, which were broken off last July as a result of a dispute over an Iranian official suspected of involvement in terrorist activity, was announced yesterday by the French Foreign Ministry in Paris, which said that the move would not involve any change in French policy towards the Gulf.

The move came amid mounting signs of an improvement in ties between Tehran and London.

Separately, Iran appeared to open the way for a reduction in tensions with Saudi Arabia, when it said that no Iranians would go on the annual Islamic pilgrimage, or hajj, to the Saudi holy city of Mecca next month.

Mr Mehdi Karrubi, the leader of Iranian pilgrims, said Saudi authorities had barred Iranians from attending this year following a riot at last year's pilgrimage in which more than 400 people were killed. The Saudis, however, who broke off relations with Iran earlier this year, have said they would be prepared to admit a reduced number of 45,000 Iranian pilgrims this year. The Iranian announcement that no pilgrims will go may thus signal a desire to avoid a further confrontation.

A renewal of relations between France and Iran had been expected since the last three French hostages were released by a pro-Iranian group in Lebanon before the French presidential elections last month.

In London, Mr David Mellor, Minister of State at the Foreign Office, yesterday spoke of Britain's "policy of rebuilding relations with Iran," and said the release of Mr Roger Cooper, a British businessman who has been held in Tehran's Evin prison for two and a half years, would be seen as "a major step in improving Anglo-Iranian ties."

His remarks, made in a meeting with Mr Cooper's brother Paul, followed a notably conciliatory statement by Mr Hussain Mousavi, the Iranian Prime Minister, who said in Tehran on Tuesday that relations with Britain, which deteriorated sharply last year as a result of a tit-for-tat diplomatic dispute, were improving. Last week's compensation talks over damage to the Iranian and British embassies in each other's capitals during the Iranian revolution "can be considered a step forward to ease tensions" between the two countries, he added.

Since suffering a series of military setbacks in its war with Iraq in the past few weeks, Tehran has been signalling a desire to improve ties with some Western countries.

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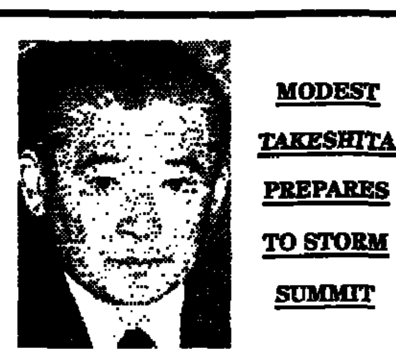

MODEST TAKESHITA PREPARES TO STORM SUMMIT

Japan's Prime Minister may find new respect among his Group of Seven colleagues, Page 4

Brussels split on Euro-court decisions

By William Dawkins in Strasbourg

URGENT PLANS to reduce the burgeoning workload of the European Court of Justice and speed up its decisions on anti-dumping cases have created a division between the Brussels Executive and Euro-MPs.

The split emerged when the Strasbourg Assembly voted yesterday to back the court's own proposals to set up a streamlined junior judiciary to issue quick judgments on competition cases, appeals against Commission-imposed dumping duties, steel policy and EC staff disputes.

But the Brussels authorities are determined to keep anti-dumping cases with the full court because they fear overstretched Commission trade officials might otherwise be swamped by appeals. At present court rulings on appeals against Commission dumping decisions are final. But companies would be able to appeal against decisions by the junior court on points of law.

The parliament's decision brought an immediate warning from Mr Jacques Delors, Commission President. "If we move to enlarged world trade then there will be more anti-dumping cases. Lengthy cases in the court will only weaken our position," he told MEPs. The Brussels executive is to decide next week how to respond to the refusal of the court and parliament to follow its advice.

● Plans to liberalise the market for non-life insurance, mainly for big commercial risks yesterday won the European Parliament's final approval, clearing the way for formal adoption by member states possibly next week. The scheme has already won member states adoption but MEPs insisted they had a duty to give it two more readings.

WRITERS ARE WONDERING WHICH ARE THE 'BLANK SPACES' MR GORBACHEV WANTS FILLED

Soviet history rewrite taxes the textbook authors

BY QUENTIN PEEL IN MOSCOW

THE DECISION by the Soviet school authorities to cancel the written history exam for school-leavers, and replace it with an (unmarked) oral test, is the most dramatic indication to date of the extent to which the Soviet history books are being rewritten.

Yet the same authors have been commissioned to write next year's textbooks (they may not meet the deadline of September, they admit) as were responsible for the last lot, now consigned to the scrapheap.

They have simply been ordered to fill in the "blank spaces" in history which Mr Mikhail Gorbachev's *glasnost* has suddenly revealed.

Moreover, in the universities, the students are having no such luck. They will still have to sit their history exams, and simply guess at how many of the blank spaces they are supposed to know about, and how many are still taboo.

That in itself will be no easy task, for they are still being given the same old lectures – for example on Bolshevik revolutionary Nikolai Bukharin – that were being delivered before he was formally "rehabilitated" by the Soviet Supreme court.

The debate on history goes to the heart of the whole process of *perestroika* and *glasnost* in the Soviet Union, and is proving to be far more traumatic than was imagined when it began.

Historians who for years succumbed to the dead hand of party orthodoxy, have taken to attacking each other viciously and openly in the columns of the Soviet press, trading accusations of omissions and distortions in their work.

Yet most of the real revelations about the blank spaces – above all, the crimes of Joseph Stalin, and the disastrous miscalculations in the conduct of the Second World War – have come from writers, journalists and playwrights.

The historians themselves apparently still do not know where the dividing line is drawn between revelations they can and cannot make.

The truth is that citizens are being asked to accept that the greater part of their post-revolutionary history is fatally flawed: that the 25 years of Stalin's rule was damned by the "cult of personality", and the 30 years that followed were no more than a "period of stagnation."

They are watching the process with a mixture of horror – at the sheer enormity of the crimes of the Stalin years, and of the corruption which followed – and disdain: for they never really believed the history books anyway, except for the purposes of writing exams.

For the intelligentsia and the ruling party itself, however, it is proving a truly traumatic exercise.

So far the dividing line seems to be that any revelations about crimes which can be blamed directly on the cult of personality are fair game.

The show trials of the 1930s have been exposed, with the rehabilitation of Bukharin, and now fellow Bolsheviks Lev Kamenev and Grigory Zinoviev, to mention only the most prominent. Scarcely a week goes by without one newspaper or another running an article to revive the good name of one of Stalin's victims.

More recently, the corruption of the Brezhnev years is equally permissible as a target for exposure, underlining the impossibility of turning back the new process of *perestroika*.

What went in between, however, and what went before Stalin, is more problematic.

What is being undertaken is a massive rewriting of the 12-volume history of the Second World War, which seems certain to demolish the myth of Stalin as the great war commander

AN EAST GERMAN party historian has censured Soviet newspapers for arousing the interest of the "imperialist mass media" with articles that question previously accepted versions of history.

Professor Ernst Diehl complained that such articles distorted "the difficult but great history of the Soviet nation" into a "series of mistakes".

Addressing a recent session of the Central Committee, Prof Diehl said the East German party would take the offensive in a discussion with "anti-Soviet distorters of history" and would not cease to speak the truth about the historical achievements of the Soviet people and the Soviet Communist Party.

The East German news agency ADN last week fired a broadside against a Soviet history professor, Mr Vyachislav Dashitshev, who recently wrote in the newspaper Literaturnaya Gazeta of the need to criticise Soviet foreign policy and to subject it to controls. He was quoted in West German newspapers as having criticised the building of the Berlin Wall.

Polish leadership changes favour reformers

BY CHRISTOPHER BOBINSKI IN WARSAW

A RESHUFFLE in Poland's leadership has raised the hopes of reformers. Advocates of change are particularly encouraged by the promotion to the Politburo of Professor Wladyslaw Baka, the national bank chairman, who has now been given overall responsibility for the economy.

The changes came on Tuesday at the close of a two-day central committee meeting which voiced concern at the country's economic performance and hinted at the prospect of changes in the political system.

Other appointments include handing the key propaganda portfolio to Mr Mieczyslaw Rakowski, who recently warned the party that it must change if it is to face the challenge posed by rising political and economic expectations.

The appointment of Mr Baka marks a weakening of the heavy industry lobby and leaves the Government of Mr Zbigniew Messner, the Prime Minister, looking isolated.

While at the bank, Mr Baka has argued for stringent controls on money supply and at the same time warned against the Government's price rise policy, which he correctly predicted would intensify upward pressure on wages.

Mr Messner admitted to the central committee meeting that at the end of May, the rate of growth in pay was 10 percentage points higher than the inflation rate, which is estimated to have been 50 per cent a year.

Mr Baka has also been arguing strongly in favour of a major restructuring of industry, with investment directed towards consumer goods production and export items.

The Government has announced that capital spending plans for 1989 and 1990 are to be revised with these aims in mind.

The central committee also heard a commitment from party chiefs that rules on the registration of new associations would be eased. General Wojciech Jaruzelski, the party leader, hinted at the authorisation of a new Christian Democratic grouping.

The resolution adopted by the meeting also speaks of the possibility of the presentation within the party of rival political programmes.

This controversial suggestion shows that the party leadership is now ready to countenance the idea that competing groups of party members would be allowed to canvass openly.

Reuter adds: Mr Wladyslaw Baka firmly believes his generation will set the country on the road to steady development.

An economics professor who still lectures at Warsaw University, he wants to make the Polish zloty a convertible currency.

"Since the mid-seventies I have fought for structural changes in our economy," Mr Baka once said. "I have never hidden my critical opinions (on how the economy is run). I have always believed that my generation will see the economy entering the road of constant development.

"I believe that we will have a system here under which people will have the conviction that something depends on them."

Mr Baka, 52, has reformed the National Bank during his 2½ years presidency. He has also drafted sweeping Western-style changes in the national financial system, including the creation of nine credit banks and plans to establish semi-independent commercial banks.

Mr Baka was born in the village of Boksycka in southern Poland, the son of a steelworker. He graduated from Warsaw University in 1958, and in 1973 became a deputy head of the central committee's economics department.

He joined a party commission which began drafting economic reforms shortly after the August 1980 agreement with strikers in Gdansk which paved the way for the creation of the now-banned Solidarity free trade union.

The following year Mr Baka was invited to join the cabinet as minister for economic reform.

Mr Baka: fought for change

Cardinals' talks in Moscow are successful

By John Wyles in Rome

CARDINALS Agostino Casaroli and Joseph Glemp, respectively the Vatican Secretary of State and the primate of Poland, have completed an apparently successful trip to Moscow which has generated optimism about Soviet-Catholic relations.

They were attending celebrations to mark the millenium of Russia's conversion to Christianity.

Cardinal Casaroli's visit culminated in a 90-minute meeting with Mr Mikhail Gorbachev, the Soviet leader, on Monday.

This crowned a mission which in itself had seemed to herald a thaw in the complicated and frigid relationship between the Catholic Church and Soviet Communism and which could well lead to a meeting between Mr Gorbachev and the Pope whenever the Soviet leader makes his longpromised visit to Italy.

Cardinal Casaroli had taken with him to Moscow a letter to Mr Gorbachev from Pope John Paul II, the first such ever to have been written to a Soviet leader by a Pope.

Cardinal Glemp saw Mr Konstantin Charczew, the head of the Soviet religious affairs office, and the meeting has raised hopes that Polish priests would be allowed to work in the Soviet Union.

This September Cardinal Glemp plans to visit Wilno in Soviet Lithuania as well as the Byelorussian city of Minsk where he is to consecrate a catholic church.

● US evangelist Billy Graham preached in Kiev to at least 10,000 Soviets, his largest audience in the Soviet Union, as people jammed into an Orthodox church and listened outside over loudspeakers, Mr Graham's spokesman said yesterday. AP reports from Moscow.

Planning for 1992 and a stronger EMS

Irmgard Adam-Schwaetzer gives her view of the future of the European Monetary System

THE European Monetary System represents one of the great successes of European integration. When set up in 1979, it was rejected by many experts. Evoking the final years of crisis of *Bretton Woods, they pointed to* the danger that a fixed exchange rate system would end the monetary autonomy of central banks, *lead to the uncontrolled interna*tional spread of inflation and eventually break down under the weight of current account imbalances.

It is now evident that these fears were unfounded. The EMS is working better than ever. It has become a *stabilising factor* behind the European and the world economy. The average inflation rate in the European Community *has fallen* from 12 per cent in 1980 to 2.4 per cent in 1987. Divergences between national inflation rates have also dropped sharply.

We now have to look at the question of extending the EMS in the light of the planned creation in 1992 of the European internal market. The conditions for this step are good – perhaps better than at any time in the history of the Community.

Member states during the last few years have shown a high degree of accord on the priority to be given to price stability and on the necessity of carrying out policies of structural adjustment. Economic co-operation has improved.

The EMS will be further developed. It would be best if all EC states were full members, but the movement will go on even if some countries do not yet wish to participate.

The short term goal is the complete liberalisation of capital movements in the Community and I welcome this week's agreement in Luxembourg on drawing up a timetable for liberalisation. This is a key element of the internal market, of central importance for bringing together EC economies.

In line with this, all member states should also take steps to allow international use of the private European Currency Unit.

Beyond this, all member states need to apply the rules of the EMS without conditions. We are very pleased that Belgium and Luxembourg, as part of capital market liberalisation, intend to give up their two-tier exchange rate.

Italy should also join the general currency regime by giving up its wider exchange rate band. *Britain should enter the* exchange rate mechanism and accept fully the responsibilities that go with it.

The West German Government *has always made clear that it* would welcome Britain joining the ERM. Sterling's full participation would give the system a new dimension and add further to its stability. The British economy would have all the advantages which go with a quasi-fixed exchange rate system.

The discussion in Britain over joining the ERM is closely followed in the Community and the differences which come to light should not be over-estimated.

The Bank of England's discussion paper published in March by Professors M P Taylor and M J Artis provided statistical evidence that the EMS had stabilised currencies, while avoiding exaggerated monetary tensions.

According to the authors, this success is due to the power to influence markets of a Community-wide exchange rate policy. Convergence in anti-inflation policies, as well as co-ordination among the central banks, has also helped. Why then does Britain hesitate?

It is sometimes said that sterling – in view of its petro-currency role and its international reserve status – is a law unto itself. But this argument no longer holds good.

Oil production makes up only 2 per cent of Britain's gross national product, against 6 per cent in 1984. In the first three months of 1986, the oil price fell 63 per cent, but the exchange rate of the pound against the dollar dropped only 3 per cent. Oil revenues have plainly lost importance for the exchange rate.

The argument that the use of sterling as an international *reserve medium* would be reduced if it joined the ERM is not tenable from a West German point of view. Confidence in a currency cannot be decreed, it must be earned through a consistent anti-inflation policy and international competitiveness.

Beyond the short-term objectives lies a long-term question about the future currency structure in Europe. The establishment of a European currency union and a European central bank forms part of the logic of the European internal market. It is also a catalyst for necessary economic convergence.

A European central bank *should be set up on the basis of* three criteria:

● It should give priority to the goal of monetary stability, but at the same time attempt to bring about appropriate growth, full employment and external economic balance. This is a necessary part of any modern monetary policy and corresponds to what has become the standard in the Community.

● It should be independent of political interference. National experiences of juggling between monetary authorities, governments and parliaments can simply not be repeated at Community level. In West Germany, the independence of the Bundesbank has set a good example.

● It should have a federal structure but *should also* incorporate a suitable element of centralised decision-making. This takes account of the interests of all *member states* and would serve to guarantee the future central bank's operational capability.

Pushing forward European integration has never been merely a question of matter of fact, reasoning and logical rigour. It also requires vision and courage to take the first step.

That is why we are taking the initiative of putting further development of the EMS on the agenda at the European summit on June 26 and 27 in Hanover. It would be a great advance if the meeting would give a clear signal for the creation of a European monetary area and a European central bank.

Ms Adam-Schwaetzer is West German Minister of State for European Affairs

Bonn to push ideas on EC central bank study

BY DAVID MARSH IN BONN

THE BONN Government is likely to propose setting up a group of central bankers and other experts from European Community countries to study establishing an EC central bank.

The plan, meeting the wishes of both Mr Gerhard Stoltenberg, the Finance Minister, and Mr Hans-Dietrich Genscher, the Foreign Minister, is expected to be raised at the EC summit on June 27-28.

Mr Stoltenberg, backed strongly by the Bundesbank, has leant towards placing a study in the hands of EC central bank governors. Both regard with some scepticism the common central bank objective – pressed strongly by France recently.

Mr Genscher, who has pleaded for West Germany to take a constructive line on the proposals, has favoured a body of outside "wise men" to look into the idea, which he regards as essential to boost European political unity.

The notion of a joint grouping, which could comprise two separate panels, has been put forward by Mr Otto Schlecht, state secretary in the Economics Ministry.

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EUROPEAN NEWS

Soviet call to free consumer industries

BY QUENTIN PEEL IN MOSCOW

SWEEPING PLANS for economic reform in the Soviet Union, including taking virtually all consumer industries out of the centrally-planned economy, introducing interest rates to ration credit, and establishing a banking sector to compete for business, were proposed yesterday for serious consideration at this month's extraordinary Communist party conference.

The proposals were presented in a major article in Pravda, the official party newspaper, clearly with a view to setting some guidelines for the crucial economic debate.

They were presented by Professor V. Kossov, and described by Tass, the government news agency, as the "key material" on the economy.

Prof Kossov proposes dividing the economy into two sections – the planned, and the merely regulated – with all major consumer-oriented industries in the latter. Only where an industry is serving a limited number of consumers (such as the armaments industry) or producing a basic end product, such as the electricity industry, would it remain in the planned economy, he says.

Any attempt to mix the two systems would fail, he says, because enterprises operating partly under the planned economy, and partly independently, would end up being crushed by "party and government organisations demanding fulfilment of the plan."

In a tough critique of the state of the economy, he points to low labour productivity in comparison with the US, and the failure of Soviet science to adapt its research to industrial uses – in spite of employing one quarter of the world's scientists – as key weaknesses.

He proposes the selection of potential growth areas where Soviet science can compete on the world market, and the introduction of tax incentives for enterprises in the "regulated zone" to invest in new capital equipment.

He tacitly accepts the need for a form of bankruptcy legislation – totally excluded by Communist orthodoxy to date – saying government "administrative methods" have hitherto failed to "curtail the activities of ineffective enterprises." He calls for the introduction of interest rates to ration credit to enterprises, and prevent overheating of the economy, as well as to stimulate growth when necessary.

As for banks, he says they must become "genuine self-financing enterprises . . . Offering loans with a view to making profits – competing with one another for customers.

He admits that the new system "will yield few results unless banks are made distributors of loans to subscribing enterprises."

Prof Kossov blames "salary levelling" for the disappearance of highly qualified workers, calling instead for salary differentiation and a progressive income tax system.

His article amounts to the most authoritative commentary so far on the economic theses put forward by the central committee for the party conference. It falls short of some of the most radical economic critiques of the centrally planned economy, but still proposes many startling reforms in the light of the present system.

Ozal talks in Greece end without progress

By Andriana Ierodiaconou in Athens

A THREE-DAY visit to Greece by the Turkish Prime Minister, Mr Turgut Ozal, ended yesterday without tangible progress towards a resolution of key differences in the Aegean and Cyprus.

But after the visit, the first of its kind in 36 years, both sides were vowing that the dialogue between Athens and Ankara is still alive.

Two urgent questions, however, lingered after Mr Ozal's departure. One, how long the Greek-Turkish rapprochement launched by the Prime Ministers of the two countries in Davos last January can survive on words alone.

And two, how the Greek Prime Minister, Andreas Papandreou, would manage to deflect inevitable criticism for having received Mr Ozal, until six months ago considered the arch enemy of Hellenism, without having extracted concessions from him on key problems.

Mr Ozal, however, professed himself well-satisfied. "Can you imagine me coming to Greece last year and giving a press conference? We have made big progress," the Turkish Premier told journalists.

The skeleton at the feast of Mr Ozal's Athens stay was Cyprus, which the Greek side held up throughout as the key to a lasting improvement in relations.

Greek and Turkish sources confirmed that the issue of the withdrawal of Turkey's estimated 35,000 troops from Northern Cyprus, which it has occupied since 1974, was discussed in private sessions between Mr Ozal and Dr Papandreou. Turkey invaded Cyprus in the wake of a Greek military coup against the island republic.

Greece is understood to have insisted on the drafting of a firm timetable for the complete demilitarisation of the island as a basis for negotiations leading to a federal settlement between the Greek and Turkish Cypriot communities currently being proposed by the United Nations. No firm date has yet been announced for the start of talks.

Turkey reportedly countered with the position that troop withdrawal cannot be discussed in isolation from such a settlement, but must constitute a package with constitutional and territorial issues.

Mr Ozal, however, allowed a glimmer of hope for progress to emerge in statements to the press. "Turkish troops will not stay there (Cyprus) indefinitely, it's true. But I would like to see an agreement between the two communities and, according to that agreement, Turkish troops will be withdrawn," he said.

"Everything is open," he added.

"Far away, at the end of the tunnel, I see light," Dr Papandreou corroborated, commenting on the significance of his talks with the Turkish Prime Minister on Cyprus

EC expects steel output curbs to end soon

BY WILLIAM DAWKINS IN STRASBOURG

AN IMMINENT end to the output controls which restrict half the European Community steel output was virtually guaranteed yesterday when the Brussels Commission called for the system to be scrapped at the end of the month.

The decision, expected to get final consent from a meeting of the EC's 12 industry ministers a week tomorrow, is likely to cause a fall in the price of the 77.5m tonnes of annual EC production potential now in the quota system. Total capacity is 140m tonnes. It could also improve the flotation prospects of British Steel, which is now having to shoulder the cost of buying extra quota to keep pace with booming domestic demand.

EC quotas apply to hot and cold rolled coil, important raw materials for the mechanical engineering and motor industries; to heavy plate used in shipbuilding; and to structural beams for construction and building.

Yesterday's decision is a big turnround for a European Commission which only a year ago was proposing to keep output controls – subject to complex conditions – in place until 1990. However, the end of the system installed during the last recession in 1980 to help prop up prices while steelmakers put their houses in order has looked increasingly likely over the past few months as prices and output have responded to a surprise upturn in demand.

"The conditions which we fixed for the extension of the quota regime have not been fulfilled and it will therefore expire," said Mr Karl-Heinz Narjes, European Industry Commissioner. "Steel firms should now stand on their own feet."

Mr Narjes held out little hope for demands by Eurofer, the "club" of integrated steelmakers, for a temporary return to the voluntary quotas which existed for three years before the launch of the present obligatory system.

"That kind of expectation is not capable of fulfilment," he warned. "But if we can be helpful without allowing the emergence of cartels or price arrangements we will do that." EC steel rules allow the Commission to issue informal guidance to the industry on its own initiative.

The scrapping of quotas is virtually certain because the industry is a long way from the "manifest crisis" that has to exist to make output controls legally possible under EC steel rules. Community hot rolling mills are on average running at 77 per cent of capacity, the best for nine years, according to the Commission.

The Brussels executive had been prepared to bend the rules and allow quotas to continue if steelmakers volunteered by last Friday to shut roughly three quarters of the EC's 30m tonnes production overcapacity. But in the event they offered no closures out of the 10m tonnes overcapacity in hot rolled coil and were well short of target in beams and plate.

● The European Commission yesterday enlarged the scope of its inquiry into allegedly illicit Italian government aid for its state-owned steel industry. Brussels is now investigating the legality under EC competition rules of government guarantees for the current debts of Ilva, the new name for Finsider. Previously the inquiry was restricted to the Finsider debts paid off during its recent liquidation.

Efta stumbles down path to accommodation with EC

BY ROBERT TAYLOR IN TAMPERE

MINISTERS from the European Free Trade Association (Efta) have reaffirmed a commitment to create a common economic space between their six-nations and the European Community: but it is increasingly clear that the road to such a "space" is strewn with obstacles.

Apart from EC reservations, there are internal splits within Efta, highlighted at a meeting here by the attitudes of Austria and Iceland.

Austria's Trade Minister, Mr Robert Graf, said his country intended applying to join the EC in the second half of 1989, even though it would have to wait a long time for a reply, and even longer before actually becoming a member. Meanwhile, Austria has promised to go on stressing its loyalty to Efta.

Publicly, most Efta governments seem reconciled to Austria's position. Norway can hardly complain since it is also intensifying links with the EC and it may apply for membership.

But Iceland's trade minister, Mr Steingrimur Hermansson, protested that the Austrian move could weaken Efta. That was not his only complaint. At one point in the meeting, he threatened that Iceland would leave the six-nation group on the grounds that the EC treats his country's fish exports better that Efta does. Ministers decided to dodge making a decision on free trade in fish by setting up a working party to come up with a plan by November.

Fish is only one of many sectors in which Efta has failed to produce a common internal policy. It is going to be hard for these six nations to overcome their differences and find a common stance for negotiations with the EC. Indeed, there is a crucial, unanswered question: does Efta have a long-term future in its own right, or is it to become a means to a wider Europe centred on the EC?

It seems, however, that Efta is willing at least to try to make progress towards convergence. Its post-Tampere programme of action envisages a multilateral, parallel strategy alongside the EC's drive towards a single market.

A confidential paper by Efta economists provides clear evidence of the difficulties that face the organisation in its dealings with the EC. It spells out what the necessary changes will involve:

● Harmonisation of external trade policies through the removal of tariff and non-tariff barriers as well as adjustments in the indirect taxation system.

● Abolition of remaining foreign exchange regulations to form a common capital market. "This in turn implies strong constraints on monetary policies if exchange rate stability is to be achieved," it says.

● The adoption of EC standards in the regulation of financial services and transport.

● *The free movement of labour and capital.*

Efta is rightly worried that its trade will be hurt by the EC's concentration on developing its own internal market unless it can achieve direct influence on EC decisions before they are made. The document also highlights in detail the obstacles to convergence between the two blocs.

Among them:

● Changes in VAT and purchase tax which are much higher in Efta countries like Sweden and Norway than they are in the EC.

● The removal of all border controls which threaten Efta's textile, clothing and footwear industries.

● The deregulation of Efta money markets will mean liberalising the laws on foreign participation in the securities sector as well as share acquisition and ownership of companies inside Efta.

Fish might have obsessed some Efta ministers this week but visions of a grander design occasionally flickered through

THE EC external relations commissioner, Mr Willy de Clercq, warned Efta ministers yesterday that the movement agreed between the two groups four years ago in Luxembourg to create a European Economic Space was moving into "difficult areas," writes Robert Taylor. "The balance between advantages and obligations of the two sides will become more prominent in the debate."

But he was not keen to widen the discussion about this at Tampere. "We must proceed pragmatically and beware of abstract debate," he added, describing yesterday's meeting "as the most successful since the new political impulse was given to relations at Luxembourg in 1984."

The Community would not solicit new members. "I have heard the whispering in the corridors," he said. "During the greater part of the meeting there has been speculation whether Efta in time would split up because Austria has indicated that it probably will ask for membership in the EC." If Austria applied for EC membership, it would be dealt with "in due course", he said.

Iri chief urges Rome to reduce domestic demand

BY JOHN WYLES IN ROME

MR ROMANO PRODI, the president of Iri, Italy's largest state holding company, has added his voice to high-level calls for the Italian Government to intervene to damp down domestic demand.

Following in the wake of Mr Carlo Azeglio Ciampi, the Governor of the Bank of Italy, who urged the Government into action a fortnight ago, Mr Prodi warns that "somethign must be done" in a television interview to be broadcast today on the daily *Economia e Finanza* programme by Rai 2, the state television service's second channel.

Mr Prodi says that the trend in the Italian trade balance is "very worrying" following an accumulated deficit in the first four months of the year of L2,653bn (£1.1bn) compared to a surplus of more than L3,000bn in the same period last year. Mr Giuliano Amato, the Treasury Minister, has also confessed to being worried but says he wants to wait for the May trade figures before deciding whether to act.

However, it is understood that the Government is already pondering a package of measures which would be centred upon raising a variety of VAT rates.

● The Italian Government has *finally* decided that the 79 US F16 fighter bombers to be moved out of a Nato base in Spain within three years will be accommodated near Crotone in Calabria.

An airport at Sant'Anna, a few miles from Crotone, is to be developed together with associated base facilities at a reported total cost of $500m. Given that the area is one of the poorest in Italy with high youth unemployment and a struggling tourist industry, the prospective investment appears good enough to stifle local opposition.

European cultural TV channel on air at start of next year

PAUL BETTS IN PARIS

THE European cultural television channel is ready to go on the air at the beginning of next year if there are no further delays in the launch of France's TDF-1 direct broadcasting satellite.

The French government has actively supported the creation of the new European channel known as La Sept, or Channel Seven during the past two years.

But Mr Georges Duby, chairman of the new channel, acknowledged yesterday that La Sept's future hinged on the successful launch next October of the French direct broadcasting satellite.

The TDF-1 programme has been bedevilled by delays because of a combination of technical and political problems. However, the satellite is crucial for the transmission of the new French government-owned channel which aims to provide not purely a French cultural service but a pan-European service.

Mr Duby insisted yesterday on the European character of the new channel, which plans to air a wide variety of cultural and educational programmes starting at noon and ending at 2am.

La Sept has already negotiated a large number of joint productions with major European television networks and is about to reach a similar deal with Channel Four in the UK.

The project was originally set up two years ago with a capital of FFr 60m (£5.7m). Its shareholders include the French state regional television network FR3 with 45 per cent, and the French government with 25 per cent, with the balance held by other state broadcasting bodies.

Apart from films, theatre, opera, documentaries and other cultural programmes, the new channel is also adapting the British Open University concept on a European scale.

Every afternoon, the channel intends to transmit educational programmes using institutes of learning to create what Mr Duby called "a European Open University".

Mr Duby unveiled yesterday the new channel's programming schedules which one third of the time involve French programmes and for the rest, programmes of a European character.

The channel has already built up a stock of more than 2,000 hours of programmes largely through co-productions involving an investment of about FFr 730m.

Curbs on advertising proposed

BY RAYMOND SNODDY IN MUNICH

A COUNCIL of Europe committee drawing up a convention on cross-border broadcasting in Europe has proposed restrictions on television advertising which could devastate financially Britain's independent television companies.

It has agreed rules on advertisements which would prevent a film being interrupted more than once and ban advertising in news programmes of less than 30 minutes. Longer news programmes would be allowed commercial breaks every 20 minutes.

Some of the most lucrative advertising shown on British television is in the middle of News at Ten, the flagship programme of independent Television News and a programme of less than 30 minutes.

The proposed convention is primarily designed to establish a legal framework for satellite television with binding arbitration in the case of disputes. But because the broadcasts of virtually all the ITV companies can be picked up in at least part of another member country of the 21-nation council of Europe they qualify as cross-border broadcasters.

The British Government is certain to reject the clauses on the interruption of programmes by advertising and enter a "reservation," which means that even if it ratifies the convention it would not implement these provisions.

The chairman of the steering group, a Dutch civil servant, Mr Andries Overste, told a conference in Munich that the proposed convention would be ready for signing by ministers of the Council of Europe – a body primarily concerned with human rights – at a conference in Stockholm in November.

It would legitimise satellite broadcasting, set minimum standards of taste and decency, and give "everyone a free passport to all the cable networks of Europe". If Britain did not accept the provisions on advertising, he said, British broadcasters would have to reach bilateral agreements with other countries on the issue.

The proposed convention would set a ceiling of 15 per cent of air time on advertising, with an additional 5 per cent for teleshopping – the direct selling of goods to the audience. All tobacco advertising would be banned, but the advertising of alcohol would be allowed.

Despite the difficulties over advertising the British position has been to support a convention which could apply to all the European nations in preference to the planned European Community directive on trans-frontier broadcasting.

OVERSEAS NEWS

Swapo to hold talks with white Namibians

LEADERS of the South West African Peoples Organisation will meet a group of prominent white Namibians in Sweden this weekend to discuss how Namibia might be ruled independently of South Africa, Swapo said yesterday, Reuter reports from Stockholm.

"The white community wants to know what kind of government Swapo could offer, without the taint of South African propaganda which paints us as terrorists," Mr Nilo Taapopi, Swapo's Nordic representative said in a telephone interview. "More and more whites are recognising the need to do away with apartheid and start a new way of living in a non-racist society," he said.

Mr Sam Nujoma, the Swapo leader, who is banned from Namibia, will head the nationalist delegation, Mr Taapopi said.

The white Namibian group includes farmers, lawyers, academics and businessmen and will be led by Mr Brian O'Linn, a lawyer who has campaigned to rally white support for a United Nations peace plan for the region.

The political wing of Swapo operates legally in Namibia, but its guerrillas are waging a bush war against South Africa, which has ruled there in defiance of the UN for two decades.

The two delegations arrive in Stockholm on Saturday and will have talks from Sunday to Tuesday. Mr Nujoma will also have informal meetings with Mr Sten Andersson, Sweden's Foreign Minister, and other members of the Government.

Sweden is one of the largest aid donors to Swapo. Most of its budgeted SKr73m (£6.7m) aid for Swapo for 1988, will go to Swapo refugees in Angola.

Iran embassy in NZ

A DELEGATION from the Iranian embassy in Australia arrived in Wellington yesterday seeking a site for an embassy in New Zealand, Dai Hayward writes from Wellington.

Opening the embassy will improve trade between the two countries, at present balanced in favour of New Zealand.

In February, the New Zealand Meat Board signed a new contract to supply 70,000 tonnes of lamb and 30,000 tonnes of mutton to Iran this year.

Ian Rodger reports on Japanese preparations for a leading role at the Toronto meeting

Modest Takeshita prepares to storm summit

Takeshita: reticent

"I AM by nature reticent," Mr Noboru Takeshita, Japan's Prime Minister, told a group of foreign reporters in Tokyo yesterday.

It was his way of saying that he would not try to take a leading role at the summit of the heads of government of the seven largest Western industrialised nations in Toronto next week.

However, these annual economic summits are often as much about appearances as about issues and it would be surprising indeed if some event, either staged or spontaneous, did not occur in Toronto to underline the dramatic increase in Japan's importance and reputation in the world in the past year or so.

Those increases are due to Japan's surprisingly vigorous, if belated, actions to open some of its markets to imports, to the big boost in its aid to developing countries and to its success in stimulating the domestic economy. In a very short space of time, Japan has gone from being the West's favourite whipping boy to a respected locomotive of world economic growth.

The Japanese themselves, Mr Takeshita's rather endearing modesty notwithstanding, are clearly ready to take a bigger role on the world stage. As they see it, they have both the resources and the motivation to influence events, while other leading nations, particularly the US, have less and less room to manoeuvre.

Last week, a senior Japanese foreign ministry official expressed with uncharacteristic bluntness the new status quo as seen from Tokyo. "Without Japan, the world cannot do anything," he said.

He also highlighted the contrast between Mr Takeshita's position at the summit and that of his colourful predecessor, Mr Yasuhiro Nakasone. Mr Nakasone had a much tougher role to play, fending off the criticisms of his peers while trying – with considerable success – to demonstrate to the people back home that Japan now merited a place near the centre of the group photograph. "Mr Takeshita does not have to dramatise Japan's position," the official said.

Mr Takeshita, for all his self-styled modesty, has taken great care to prepare for the summit. In the past six months, he has visited every one of the leaders who will be attending the summit and so, while he may be self-effacing in public, he is unlikely to be a wallflower in the private discussions.

Appearances apart, the Japanese are heading for the summit with fairly modest objectives. Their main concern is about the world's trading system. They say they are worried about the trend towards the formation of big trading blocks, such as the proposed free trade zone between Canada and the US and the planned unification of the European Community market in 1992.

The Japanese say they fear that these blocks will discriminate against outsiders and they like to point out that the majority of the world, including Japan, lies outside these blocks. So they will wag their fingers at the Europeans and the North Americans, admonishing them not to stray from the rules of the multilateral trading system.

In fact, Japan is also busily creating its own trading block, cementing economic and trade relations with the newly industrialising economies of East Asia. (The widely-used term newly industrialising countries has been dropped lately because Taiwan and Hong Kong cannot be called countries.) And that leads to its second main objective at the summit.

The Japanese see themselves as the defenders of the NIEs against the attacks of the US and others who want these countries to revalue their currencies substantially, open their markets and generally take on the pressures and responsibilities of normal developed countries.

The Japanese view is that the NIEs should be congratulated for their contribution to world economic growth. It should also be recognised that the NIEs are still rather fragile and should not be overburdened with responsibilities.

In Japan's view, some US Administration officials, particularly Mr James Baker, the Treasury Secretary, are too aggressive in their demands on the NIEs. However, it is acknowledged in Tokyo that the US is the only country supporting huge trade deficits with the NIEs. Japan, by contrast, has large surpluses with them, although imports into Japan from the NIEs are rising rapidly.

The Japanese are also disparaging about the European tendency to look on the NIEs as a disruptive element in the world economic order.

For the rest, the Japanese are hoping for what one official here has called a "satisfactory" summit, which means that not much will happen. They are eager to spend a lot of time giving US President Ronald Reagan what they call a *hanamichi*, a flower strewn farewell from the stage, although at least one Japanese official last week seemed to be not quite in the spirit of things. He managed to give a 20-minute briefing on the summit without once mentioning the name Reagan.

Dalai Lama 'would not head Tibet government'

By William Dawkins in Strasbourg

THE Dalai Lama, exiled spiritual leader of Tibet, yesterday launched a far-reaching compromise plan for his country's partial independence from China but said he would take no active part in any Tibetan Government.

The revelation is expected to come as a blow for many of the 6m Tibetans who have demonstrated for his installation as the head of a fully independent state. Speaking at the European Parliament in Strasbourg the Dalai called for Tibet to become self-governing in association with China which would keep control of most foreign policy, all of defence and maintain a "restricted military presence" in the country.

The plan, the first time the Dalai has publicly espoused limited self-determination for Tibet, was forwarded to the Chinese authorities yesterday. It is likely to irritate Peking which has been exerting pressure on the Dalai not to make political statements.

Under the Dalai's plan, while China would control most foreign policy the Tibetan Government would be in charge of foreign relations in "religion, commerce, education, culture, tourism, science, sports and other non-political activities," said the Dalai.

EC to release Ecu 100m aid to Ethiopia

By David Buchan in Brussels

THE European Community is to release Ecu 100m (£66m) in project aid to Ethiopia, partly in the hope of persuading the Addis Ababa government to permit the return of private charity aid workers who have been the channel for most EC emergency food aid. EC aid of Ecu 79.6m was unblocked for two projects in central and southern Showa, a region surrounding Addis Ababa considered to have high agricultural potential.

Mr Lorenzo Natali, the EC aid commissioner, today flies to Ethiopia for a three-day visit which will also take him to the famine and civil war stricken areas of Eritrea and Tigre.

Of the 268,000 tonnes of cereal food aid (worth around Ecu 118m) which the Community pledged last year to help Ethiopia combat its latest famine, more than 220,000 tonnes was earmarked for distribution through private agencies to diminish the chances of its diversion by the Ethiopian authorities.

Egypt and IMF ponder economic reform

BY TONY WALKER IN CAIRO

EGYPT AND the International Monetary Fund this week begin crucial negotiations at senior level on a new economic reform programme amid indications that the authorities are facing increasing difficulties restraining the budget deficit.

Across the board wage and salary increases next month for public employees, to take account of a sharp increase in the cost of living, is putting immense pressure on the budget at a time when the IMF is asking the Government to reduce expenditures.

The Government's wages bill is projected to increase by some 42 per cent in 1988-89. Egypt's budget deficit for the 12 months to June is expected to reach 16-17 per cent of gross domestic product compared with an IMF agreed target of 13 per cent.

This week's negotiations follow the collapse of a standby arrangement agreed last year between the IMF and Egypt, which is struggling to cope with foreign debts of around $50bn and with severe difficulties in financing its balance of payments.

The IMF is certain to press Egypt, which is being buffeted by inflation of an estimated 25-30 per cent, to increase revenues and reduce expenditures. Egypt is under pressure to increase energy prices both as a conservation measure and as a means of raising additional revenue. Egyptian officials say they accept the need for reform but want more time to implement it for fear of sparking social upheaval.

A World Bank team has spent several weeks in Egypt discussing energy price rises of 30-40 per cent in return for providing up to $1.5bn in infrastructure loans for power generation and agriculture. Fund disbursement has been repeatedly delayed because of Egypt's reluctance to agree to pricing levels considered reasonable by the Bank.

Energy experts point out that subsidies in the energy sector are costing the Government E£6bn (£1.44bn) a year. This more or less matches the size of the gross budget deficit. About half this amount goes to subsidise electricity. The rest is divided between the subsidy on petroleum products and natural gas.

International institutions are highly critical of Egypt's pricing structure for electricity which costs 13 piastres per kilowatt hour to produce, and yet is sold at an average price of only three piastres. One energy expert described this as a "grievous loss" to the budget.

IMF officials and ministers will be considering ways in which last year's reform programme – in effect defunct because Egypt failed to meet performance targets – can be resurrected.

Apart from restraining the deficit, the IMF will be seeking guarantees of further exchange rate reform, and possibly a liberalisation of interest rates, although senior Egyptian officials are letting it be known this is "non negotiable".

The IMF has been pressing for an increase in interest rates to take account of inflation. At present returns on bank deposits are about half the inflation rate.

Western officials expect the Fund to seek strong commitments from Egypt before it is prepared to agree to a new reform programme that would open the way for a second Paris Club rescheduling of Egyptian debt.

At a meeting of the IMF executive board in Washington last month, members credited Egypt with progress towards much-needed structural reform of its economy, but the consensus was that it had not moved quickly enough, particularly in the area of energy pricing.

About half an IMF standby of SDR250m (£187m) was drawn down last year before the programme collapsed. Egyptian officials, who are still completing bilateral agreements with creditors, say that while they are anxious to finish the process, they do not feel under great pressure to do so before the end of this month.

Among countries yet to sign rescheduling agreements because of a failure to agree on terms are Britain, Australia, Switzerland and Japan. Under the Paris Club agreement creditors agreed to reschedule some $8bn of government guaranteed debt.

This included 100 per cent of arrears plus debt falling due between January 1987 and June 1988. Repayment terms were standard Paris Club 10 years with a five-year grace period on payments of principal.

Western officials in Cairo say that the IMF team, to be headed by its regional director, is not expected to reach quick agreement with Egypt, but there was a sense the Government was "keen to move forward".

Thai economic growth forecast raised to 8-9%

By Peter Ungphakorn in Bangkok

THAILAND'S Planning Agency has revised its forecast for this year's economic growth to between 8 and 9 per cent, a ten-year high, as manufacturing exports continue to surge.

Two years of accelerating growth has put some infrastructure under strain, but the Government is also enjoying a growth in tax revenue that will allow more investment in much-needed port and other freight facilities.

The National Economic and Social Development Board now believes an annual growth rate of 7 per cent is possible for the current five-year development plan that began in October 1986. The original target was 5 per cent.

Infrastructure investment plans, many of which will have private sector participation, are also to be revised. But with likely rapid export expansion, congestion is expected to worsen at Bangkok at least until a deep-sea port is completed 60 miles south-east of the capital in 1991.

HK gets tough with boatpeople

By Kevin Hamlin in Hong Kong

FROM TODAY Hong will treat new arrivals of Vietnamese boat people as illegal immigrants unless they can prove they face persecution in their homeland.

The policy, announced yesterday by Sir David Ford, the Chief Secretary, follows a sharp acceleration in Vietnamese arrivals to the territory this year, and the emergence of intense opposition from local political leaders and Hong Kong people to the decade-old first asylum policy.

Immigration staff will interview all boatpeople to determine if they are refugees. The United Nations High Commission for Refugees definition, which categorises a refugee as anyone who fears persecution on grounds of race, religion, nationality or politics, will be applied.

AMERICAN NEWS

FBI raids Pentagon offices in fraud inquiry

BY LIONEL BARBER IN WASHINGTON

THE US Justice Department has revealed a two-year investigation into possible widespread fraud and bribery in Pentagon procurement involving major US defence contractors and senior Pentagon officials.

FBI agents raided the offices of two senior Pentagon officials and searched the premises of 14 defence contractors including Northrop, McDonnell Douglas, Unisys and United Technologies.

Agents of the Naval Investigative Service also took part in the nationwide swoop on Tuesday, issuing search warrants at the Pentagon and about 30 other locations in 12 states.

Before the co-ordinated raids, investigators bugged Pentagon offices over a two-year period in an effort to discover evidence of alleged fraud, bribery and bid-fixing, a government official said.

Federal investigators on Tuesday sealed the Pentagon office of Mr Victor Cohen, the official responsible for buying tactical battle command, control and computer systems for the US Air Force. They also closed off the office of Mr James Gaines, deputy assistant secretary of the US Navy for acquisition management.

In addition, a former senior Navy official, Mr Melvyn Paisley, now a Washington consultant to aerospace manufacturers, was served with a search warrant both in his Washington office and at his home in McLean, Virginia.

The Justice Department described the two-year investigation as focusing on "allegations of fraud and bribery on the part of defence contractors, consultants and US government employees".

Reports in Washington yesterday suggested that the probe might extend to members of Congress and congressional aides and their role in helping companies secure military contracts.

Northrop Corporation, which makes the Stealth bomber, confirmed that its Ventura factory in Newbury Park, California, had been searched. United Technologies said there were searches at the Washington offices of its Pratt & Whitney aircraft engine subsidiary and three factories run by its Norden Systems subsidiary which makes military communications systems.

McDonnell Douglas said search warrants related to the work of a consultant but did not elaborate.

Fraud is a perennial hazard in the multi-billion dollar Pentagon procurement business. During the military build-up in President Reagan's first term, defence contractors were found to have charged vastly inflated prices for items ranging from coffee cups to weapons systems.

Dukakis defence speech reassures the doubters

Stewart Fleming reports on foreign policy priorities set by the Democrats' likely presidential candidate

MODERATE Democrats are well aware that American voters see the Republicans as the party which is more likely to keep US military defences strong.

So many officials, fearful that the party might again be pulled too far to the left on foreign policy issues, have been watching closely as Gov Michael Dukakis, the Democrats' likely presidential candidate, has developed his positions on foreign policy, anxious that he should not leave himself open to Republican charges that he is just another liberal Democrat who is "weak on defence."

Judging from the reaction by Rep Dave McCurdy, a young Oklahoma Democrat who is emerging as one of the leaders of the party on national security issues in the House, to Gov Dukakis's first major foreign policy speech since he became assured of winning his party's presidential nomination, moderate and conservative Democrats who want the party to take a tougher stance on national security issues have been somewhat reassured by the direction in which the Governor has been moving.

"I am pleased with the progress he is making," Representative McCurdy remarked. "He made some choices, he is willing to set priorities."

The major themes which emerged from Gov Dukakis's speech on Tuesday to the Atlantic Council were that continuity would be an important element of US policy in a Dukakis administration, but that the Governor wants to put much greater emphasis on working co-operatively with US allies than was the norm, certainly in the earlier Reagan years.

So far as continuity is concerned, Gov Dukakis made it clear that he supports nuclear deterrence (thus he is sharply critical of President Reagan's strategic defence initiative, funding for which he would seek to cut). He favours a policy of negotiating conventional arms reductions with Moscow – supporting the strategic arms reduction talks – but he is putting much more emphasis on conventional than on nuclear forces.

He also strongly supports the continued commitment of US forces to western Europe. "Europe's security is vital to our security. That is why we have stationed more than 300,000 of our servicemen and women on European soil," he said. Sharing the defence burden more equitably among the allies, which in effect means reducing the US burden, is also on the Dukakis agenda. Not, however, in what has come to be known as "bean counting" terms, simply adding up the dollars and cents each ally contributes.

"An effective European contribution is not measured simply in how many pounds or francs or Deutschmarks we spend . . . can lead to a stronger defence within available resources." So far as shifts in US priorities are concerned, the broadest generalisation is that, unlike President Reagan, he recognises that greater emphasis will have to be put on the economic, not just the military foundations of national security.

As a result his starting position on defence policy is that "tough choices" will have to be made by whoever is the next president because "we all know that the defence budget is not going to increase in real terms, no matter how the next election turns out."

Perhaps the most controversial position which emerges as a result, partly because it is so specific, is his policy on the US nuclear deterrent. He says he favours modernisation of US nuclear forces in principle, but then underscores his steadfast opposition to building the Midgetman missile and making the MX missile mobile by putting it on railway cars, two options which many defence analysts see as the most attractive modernisation options.

But if Gov Dukakis is leaving himself open to criticism from the Republicans for his willingness to dispense with the MX and Midgetman missiles, he is signalling that when it comes to conventional arms Republicans as well as Russians had better beware.

"I have serious questions about our conventional capability and that, for me, will be a priority," he says, indicating that it is here that the Nato allies must invest.

With conventional arms negotiations moving towards the forefront of the US/Soviet arms control agenda, this is a stance in the mainstream of strategic thinking. He backs it up with a tough negotiating position and one which he hopes will give Nato the chance to seize the initiative.

"Nato," he says "must test (Soviet) intentions," concerning the more defensive force Mr Gorbachev is talking about "by proposing a detailed step by step plan for substantial reductions in conventional forces," and by insisting that the bigger cuts must come from the Warsaw Pact countries which have the most forces.

Some of Gov Dukakis's critics, however, are concerned that there may be some inconsistency in his stance on nuclear and conventional forces. They question whether there are savings to be made on strategic weapons which are big enough to pay for the strengthening of the conventional forces he seems to envisage.

There is another aspect of Gov Dukakis foreign policy stance which worries some conservative Democrats.

The decision by his advisers last weekend to accept the inclusion in the party platform of language branding South Africa a terrorist state is seen for the most part as a relatively low cost concession to Rev Jesse Jackson.

But the concession is also being interpreted as a signal to the Third World that a Dukakis administration will be more sympathetic to its concerns.

This is leading to questions about whether he is too idealistic or, as Gov Dukakis puts it, too legalistic, about the foreign policy arena and, by implication, too disinclined to bring US military power to bear in a crisis.

The depth of his commitment to working co-operatively with allies on foreign policy issues, and his special concern on this score for Latin America, was underscored on Tuesday.

"I believe very strongly that the example of Nato is one which commends itself . . . and for the life of me I do not understand why we have not spent at least as much time and energy working on the same kind of collaboration . . . when it comes to our relationships with our neighbours in Central and Latin America . . . that is going to be one of my top priorities."

Durable goods lead growth in US output

BY ANTHONY HARRIS IN WASHINGTON

US INDUSTRIAL production continued to rise strongly in May, with growth concentrated strongly in durable goods, the US Federal Reserve Board reported yesterday.

Output of business equipment and industrial materials has been growing more than twice as fast as consumer goods output so far this year. Retail sales in May were again reported as little changed in value terms, and probably down in volume.

This pattern of demand, which reflects that seen in the foreign trade figures on Tuesday, confirms that growth this year is being led by investment and exports and promises further improvements in the trade balance and competitiveness.

The credit-fed consumer boom, which appeared to be accelerating again in the first quarter of the year, is no longer apparent in the figures.

The detailed figures from the Federal Reserve Board show that total output volume rose by 0.4 per cent in May, following a 0.6 per cent rise in April, seasonally adjusted. This is a rise of 6.1 per cent over May 1987, but growth through the first five months of this year has been at an annual rate of only 4 per cent, held back by weak figures for mining, utilities and construction supplies.

Retail sales value, adjusted for seasonal and trading-day differences, was virtually unchanged from April, according to the first estimate from the Department of Commerce. There was a small fall in the value of motor sales, but other categories rose by 0.4 per cent. This increase is close to the reported rise in consumer prices, and volume over the last three months appears to have fallen. The May figure is 5.6 per cent above the corresponding 1987 figures; prices over the year have risen by 3.9 per cent. The recent figures are liable to be revised by up to 4½ per cent.

More states join insurance suit

TEN more states have joined a suit which alleges US and UK insurers conspired to limit the availability of liability insurance to the US public sector in the early 1980s, writes Roderick Oram in New York.

The suits were initiated in March by nine states. A pre-trial conference is due to be held in San Francisco on June 23 but the case could take years to come to trial.

Baker praises work by FSLIC

MR James Baker, US Treasury Secretary, yesterday gave the Federal Savings & Loan Insurance Corporation (FSLIC) a vote of confidence by saying it was handling problems in the savings and loan industry "as effectively as possible", agencies report. Speaking before the House banking committee, he indicated that he opposed a bail-out of the industry.

Business leaders protest over video terminal law

BY RODERICK ORAM IN NEW YORK

THE FIRST US law governing use of visual display terminals in the workplace has been passed by Suffolk County, a Long Island local authority whose strong stand on environmental issues recently killed the Shoreham nuclear power station.

Union leaders said the law would serve as a model for legislation elsewhere, a role Suffolk County has played in the past. They are pressing for similar laws in at least three other New York counties and legislation is pending in some 25 states, including New York.

Business leaders, however, called it an unwarranted and costly intrusion into the workplace which would stifle job creation. New York Telephone and Metropolitan Life Insurance, among other companies, said they would not expand their offices in Suffolk County.

The first provision of the law, approved by 13 votes to five by the county legislature and applying to companies using 20 or more terminals, will become effective in three weeks.

It requires employers to pay 80 per cent of the cost of annual eye tests of terminal users and 80 per cent of the cost of glasses or contact lenses needed for or as a result of using the equipment.

After January 1 1990, employers must provide adjustable chairs and desks, detachable keyboards, special lighting and 15-minute breaks every three hours for users of terminals and furniture bought or leased after that date. The legislature passed a similar regulation for its own employees last year.

The legislation was approved over the veto of Mr Patrick Halpin, the county's chief executive. He had supported the bill when he ran for office last autumn but vetoed it last week. He said he was not persuaded by medical evidence that regulation was needed.

Confidence grows in Mexico's anti-inflation plan

BY DAVID GARDNER IN MEXICO CITY

SHORT-TERM interest rates on Mexican Treasury Bills (Cetes) dropped a further two points this week as a further signal of the confidence of both the financial authorities and investors in the success of Mexico's anti-inflation shock plan.

Rates on 28-day Cetes fell from 42.4 per cent last week to 40.3 per cent at the mid-week auction managed by the Bank of Mexico, making the total drop since the beginning of January a full 119 percentage points.

Short-term Cetes rates rose to historic highs in the first week of January, with 28-day rates hitting 159.2 per cent, as the Government wheeled out an arsenal of measures to mop up liquidity.

The drastic liquidity squeeze was accompanied by a de facto freeze on wages and basic prices through agreement with employers and union leaders, heavy budget cuts, the slashing of import tariffs and a frozen exchange rate.

Inflation has as a result plummeted from 15.5 per cent a month in January to 1.9 per cent last month, rates which if extrapolated on an annualised basis signify a fall from 430 per cent to below 30 per cent.

The Mexican shock plan, known as the Economic Solidarity Pact, is closely modelled on the Israeli stabilisation plan of 1985-86. It was boosted in March by a formal freeze on the peso/dollar parity and public sector prices.

Dr Michael Bruno, former governor of Israel's central bank, recommended at a conference in Mexico City that Mexico use interest rate policy more aggressively than Israel had done to anticipate falls in consumer prices.

Since mid-1985, the Bank of Mexico has pursued a strategy of positive real interest rates in an attempt to rebuild savings. The issue is sensitive in view of Mexico's history of massive capital flight.

Some analysts argue that capital outflows could soon resume because of the freeze on the dollar.

The central bank has thus in effect anchored interest rates to foreign exchange flows, through a formula which adjusts rates in line with a notional target of zero, or exact balance, in incoming and outgoing capital.

With reserves at a historic high of $16.5bn, the bank can afford to transfer the advantage of incoming capital flows on to lower domestic rates.

Hyundai accuses EC of 'sham inquiry'

By Kevin Brown, Transport Correspondent

HYUNDAI Merchant Marine, the South Korean shipping company, yesterday accused the European Commission of mounting a sham investigation of alleged freight-rate dumping.

The Commission is investigating claims by eight European Community shipping lines that Hyundai is unfairly undercutting established freight rates between Europe and Australia.

The Commission has powers under anti-dumping regulations to set a norm for freight rates on the route, and to impose penalty tariffs.

The conclusions of the investigation have not yet been published, but Hyundai said it had learned that the Commission would find the complaint proved.

It believed the Commission's findings would not support the crucial allegation that its activities were unfairly subsidised by the South Korean government.

Hyundai claimed its case had not been properly investigated, and that all the allegations against it had been rebutted.

It would appeal against the Commission's decision to the European Court.

The Commission said no decision had yet been taken, but one was imminent.

The number of cases is declining, but their political sensitivity is increasing, **William Dullforce** reports

Gatt highlights anti-dumping laws as 'tool of trade policy'

ANTI-DUMPING legislation is being increasingly used by governments as a tool of trade policy, the Gatt secretariat notes in its latest six-month report to the Gatt council on world trade developments*.

The report refers particularly to the European Community's *extension of anti-dumping action* to so-called "screwdriver" operations, to an EC investigation into unfair shipping practices, and to two "noteworthy rulings" by the US Court of International Trade.

One of the US judgments, in a case involving imports of South Korean steel plate, makes it harder for the US Commerce Department to suspend anti-dumping orders. The other ruled that the US International Trade Commission's decision to combine imports from three countries in an anti-dumping investigation did not violate the Gatt anti-dumping code.

Although the number of EC anti-dumping cases appeared to be declining, their financial importance and political sensitivity was increasing, the Gatt secretariat said.

Gatt allows the imposition of *special anti-dumping duties* against goods sold in a foreign market at "less than fair value", usually taken to be the price at which they are sold within the exporting country.

In the "screwdriver" case, the EC has extended anti-dumping duties to Japanese electronic typewriters and weighing scales assembled from imported parts at five plants within the EC. Tokyo is contesting this action in Gatt.

Under a new EC regulation, the Brussels Commission is investigating a complaint from eight Community shipping companies that the Hyundai Merchant Marine Company of South Korea has been charging unfair rates on cargo lines between the EC and Australia.

This inquiry is of special interest to the Gatt secretariat because the new EC regulation is the first to apply the "unfair trade" concept to a services sector.

The trend towards enlarging the scope of anti-dumping actions is coupled with the continued use of production and export subsidies and the extension of bilateral voluntary restraint agreements among the negative aspects of current trading practices.

Japan said yesterday that EC *regulations extending anti-dumping action to screwdriver* plans were not covered by Gatt's anti-dumping code, William Dullforce reports.

The regulations introduced a new element which should be treated in the trade-liberalising talks under Gatt's Uruguay round, Mr Yoshio Hatano, head of the Japanese *delegation to Gatt, said.*

Newly-formed trading entities of phenomenal size, such as those being created by the US-Canada free-trade accord and the expansion of the EC, should conform to international disciplines and remain open to the outside world, Mr Hatano said.

Excluding the agreements struck under the Multi-Fibre Arrangement governing world textile trade, 127 export restraint pacts circumventing Gatt rules are in operation, the secretariat estimates.

More positive developments listed include moves by a number of developing countries to liberalise their trading regimes as a means of restructuring their economies and expanding export earnings.

Substantial reductions have been made in the number of products subject to import authorisation in Brazil and Mexico and to a lesser extent in Colombia, India, the Philippines and Turkey.

Tariff cuts have been made by Mexico, Brazil, South Korea (on items principally supplied by the US), Jamaica, Taiwan, Uruguay, Thailand, Sri Lanka and Turkey.

Some industrialised countries have taken "limited action" to reduce tariffs and quota restrictions as a means of improving efficiency in domestic industries.

Bilateral trade relations among "certain governments" – the US and the EC are not specifically mentioned – continued to be characterised by a high level of tension, despite the steadying influence exercised by the trade-liberalising Uruguay Round, the report notes.

However, governments have also been making greater use of the Gatt dispute settlement mechanism over the past 18 months. This trend represents a marked difference from earlier Gatt rounds.

National policies on farm production and trade are increasingly dominating trade relations, according to the secretariat. This has led to increasing emphasis on the crucial role of agriculture in the Uruguay Round talks.

However, the signals sent out by governments in their measures to deal with production surpluses and export subsidies are described as "mixed". Some have introduced production controls, frozen or cut farm support levels, while in other countries output and subsidies have been increased.

In this context, the report notes that the falls in world prices exacerbated by the competing export subsidies of the US and the EC have forced some governments to increase compensatory payments to their farmers.

A payment of A$230m (£94m) to Australian wheat farmers was triggered for the first time under the Guaranteed Minimum Payment system and Canada had to increase its support to grain farmers *for a second time*.

* *Available shortly, price SFr25, from the Gatt Secretariat, 154 rue de Lausanne, CH-1202 Geneva, Switzerland.*

India looks east after setbacks in West

INDIA is looking eastwards to attract new trade and investment after suffering setbacks in its traditional Western markets, Reuter reports from New Delhi.

Protectionism in the US and Western Europe had forced Tokyo and Seoul to turn to India, where foreign investment was needed to suppress a growing trade deficit.

"The West is still India's main business partner, but Japan and *South Korea are on course to* catch up with them," said Prof Sumitra Chisti of the Indian Institute of Foreign Trade.

"Both Japan and South Korea are resource-scarce countries and have realised their over-dependence on the US market for their exports," said Prof Chisti.

Europe and the US accounted for 26.3 per cent of India's foreign trade in the 1986-87 financial year, but Japan, with 12 per cent, was the third-largest single trading partner behind the US and the Soviet Union.

A relaxation of economic controls over the past four years was encouraging Japanese and South *Korean investment in India's* large domestic market, he said.

When India first opened up its economy, the US and European countries wanted quick results from their investments, while Japan and South Korea had long-term goals, said Prof Chisti.

The patience of Japanese businessmen has been rewarded with a special status among foreign investors. A government office is to be set up to clear their investment proposals swiftly.

The move was among a series of promises made to Japanese businessmen by Indian officials with Prime Minister Rajiv Gandhi on a visit to Tokyo last month.

However, Mr Saburo Doi, director-general of the Japan External Trade Organisation in New Delhi, said further concessions must be made to attract investments.

Trade between India and Japan rose to $3.5bn in 1987 from $3.1bn the previous year. Japanese exports to India totalled $1.9bn in 1987 and imports totalled $1.5bn.

For South Korea, India is creating opportunities in the manufacturing sector. A South Korean Embassy spokesman said his country, after achieving a trade surplus for the first time in 1986, had targeted developing nations such as India.

But a dramatic rise in trade between India and South Korea would take time, he added. Trade actually fell to $603.9m in the 1987 calendar year from $638.4m the previous year.

Chile gets finance for new hydro plant

BY STEPHEN FIDLER, LATIN AMERICA CORRESPONDENT

THE Inter-American Development Bank has agreed to administer a $120.6m loan being provided by the Export-Import Bank of Japan to help finance the construction of a Chilean hydro-electric project.

The financing for the project, the 500,000kW Pehuenche plant on the Maula and Melado rivers about 240km south of Santiago, is part of the Japanese effort to recycle $20bn of its trade surplus to developing countries.

The Japanese have been criticised in the past for not giving enough aid to such countries.

It is the second such loan to be administered by the development bank; the first was $108m to expand bauxite production at the Los Pijiguaos mine in Venezuela.

The Ministry of Finance in Japan has also granted more than $60m over 1988-90 to finance technical assistance to the bank's member countries in Latin America and the Caribbean.

Nepal irrigation order for China

By Robert Thomson in Peking

THE state-run China International Water and Electric Corporation has signed a $20.6m (£11.4m) contract to overhaul a key irrigation system in Nepal.

Under the contract, the Chinese corporation will oversee the restoration of 53km of a main canal.

It will also upgrade 351km of irrigation channels and 625km of drains over the next five and a half years.

Nepal has received a World Bank credit of $40m for the improvement of the system.

Pressure grows on Brazil to lift computer curbs

BY IVO DAWNAY IN RIO DE JANEIRO

PRESSURE is mounting on Brazil to lift curbs on imports of computers, software and equipment containing microprocessors.

Since last month when the administration of President Jose Sarney announced a new industrial policy sharply liberalising *trade, Brazil's industry* has redoubled efforts to fight protectionist legislation controlling the sector.

Businessmen maintain that the government's drive to encourage industry to re-equip with imported technology is worthless if the so-called informatica law remains unchanged.

Currently, any item that contains a *microprocessor* must receive a licence from the Special Secretariat for Informatica before it can be imported. An outright ban continues on any computer imports that could be substituted by similar products produced domestically.

Mr Roberto Abreu Sodre, Brazil's Foreign Minister, said the government would have to review the law "in so far as is necessary for development of the country".

His view was backed by Mr Luiz Henrique, Technology Minister responsible for administering the sector.

Obstacles remain to a revision of the policy, since the lobby backing the closed market policy for computers has formidable political allies.

While several ministers are believed to be ready to revise the law, any substantive changes will require Congressional approval which is likely to be harder to win.

The US is now happier with revised legislation on software licencing which incorporates safeguards and appeals procedures for those prohibited from exporting to Brazil. But trade officials remain concerned over the lack of detailed definitions as to what constitutes a "similar" national product.

The two countries also look on course for a confrontation over pharmaceutical patent protection. Mr Clayton Yeutter, the US Trade Representative, must respond by July 23 to complaints from US pharmaceutical manufacturers that Brazil is failing to honour or pay royalties on patented products.

Israel and US set deadline for import tax agreement

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL and the US have set a deadline of August 1 to reach an agreement over allegations that a number of Israeli taxes discriminate against manufactured imports.

Both the US government and the European Community have complained to Israel over recently-discovered import taxes which raise the price of finished and semi-finished imports against the cost of local equivalents. Among the sectors affected are steel, textiles, leather and plastic goods.

Official working parties this week began discussing details of a compromise whereby Israel will phase out the taxes over the coming years. Israel's Ministry of Industry and Trade has however, restated its determination to protect sensitive *local industries* where necessary.

After a meeting last week of a bilateral committee examining the working of the Israel-US Free Trade Agreement, Mr Michael Smith, US Deputy Trade Representative, said the three-year-old pact had reached a stage whereby "certain problems and misunderstandings" had to be resolved.

The US has demanded the abolition of four types of taxes, including the *tama* import levy, a local purchase tax which discriminates against imports and a specific tariff for computer imports. An *industry ministry official* acknowledged yesterday that the latter was a pure revenue tax.

Responding to Israeli charges that the US was behaving in an increasingly protectionist manner, the US embassy commented: "It's hard to accuse a country with a $1.4bn deficit (in bilateral trade) of being protectionist."

The US appears to be taking great pains to avoid the trade dispute spilling over into the political arena, since both Israel and *the US approach national* elections in November.

But the US is likely to encounter most resistance over its demands in the Israeli textile sector, where many plants are located in development towns where unemployment is above average.

Export credit agencies pay out more in claims

BY PETER MONTAGNON, WORLD TRADE EDITOR

LEADING export credit agencies did less business last year and paid out more in claims, according to new figures from the Berne Union.

However the agencies sharply increased loss recoveries, according to the union, which is an association of 40 export credit agencies from 32 countries.

In its first public statistical release, the union said that exports supported by its members fell 8 per cent to $196bn (£106bn) during 1987.

Its members paid some $11bn in claims *last year, an increase of* 12 per cent on 1986.

By far the largest cause of loss was the lack of foreign exchange needed by developing countries to meet their import bills on time. Only 8 per cent of the payments arose from the insolvency or default of original buyers.

The figures underline the difficult market facing export credit agencies. Only 14 out of the 36 of its members who are engaged in insurance activity, as compared to lending, showed a surplus in 1987, while the others posted losses.

But the pace of recoveries rose last year by 65 per cent to just over $5bn, mainly as a result of payments received under debt rescheduling agreements.

The union said its members continued to support countries with debt difficulties, providing some $13bn of new commitments in the last six months of 1987.

MANAGEMENT: Marketing and Advertising

Esso

The tiger that filled up the petrol tank

Philip Rawstorne looks behind the potency of one of the world's most durable advertising symbols

AS ESSO celebrates its centenary in Britain, the multinational oil company counts among its most valuable assets . . . a tiger.

Few corporate symbols have been so potent. Seven out of 10 people in the UK instantly recognise the connection. Ask anyone in Sweden, Switzerland, West Germany or Japan, of which oil company the tiger reminds them, and the answer comes almost as readily.

For at least the last 50 years of Esso's history, the tiger has been the symbol, first of the power of its products, and latterly of its corporate strength, purpose and adaptability.

It has helped Esso to maintain a 20 per cent share of the British oil products market, ahead of the two rival majors, Shell and BP, with their advantages of British identity.

The impact on the public consciousness made by the tiger's association with Esso is the product of a long and fruitful relationship between the company and its advertising agency, McCann-Erickson. The agency was founded in 1911 by Harry McCann, former advertising manager of Standard Oil, to meet the needs of the sort of multinational clients that Esso was to become.

But although the association has been long, it has neither been continuous nor constant.

The first known use of the Esso tiger was at the turn of the century when Esso produced the "stack pipe" pump, little more than a drain pipe, which bore the tiger symbol on its tap. In the early 1900s when cars were first coming on to the roads, a leaping tiger appeared on roadside petrol pumps in Norway.

It was in a press advertisement for Esso Ethyl in 1936 that the animal was first used to convey the concept of smooth, silent power. But in the cinema advertisements of the 1930s, Esso relied more on a cartoon series of "car tunes" – an entertaining play on engine noises.

In the Second World War there was no branded petrol. And it was not until the early 1950s that brand advertising came into its own again. This was when the tiger came into prominence. After the low quality of wartime "pool petrol", Esso attempted to establish an Esso brand of quality and power. The tiger leapt, snarling, from posters and press advertisements to signal Esso Extra's high performance.

The aggressive marketing led to a Commons debate about whether the Esso tiger encouraged fast and dangerous driving. Esso diplomatically withdrew the advertisements. Instead, it re-established the brand on the newly-arrived commercial television during the late 1950s with advertisements featuring the Denton family, and then with one of the most enduring of advertising jingles, "The Esso Sign Means Happy Motoring", to which such stars as Peter Sellers and the Beverley Sisters contributed.

The tiger re-emerged in the 1960s – but as a quite different character. This time it came in the form of a cartoon, a lovable beast, all muscle and heart, looking a bit like an American football player in need of a college education.

This animal caught the British public's imagination in spectacular fashion, as it helped urge it to "put a tiger in your tank". A consumer group in Germany, with notable lack of humour, measured the respective sizes of the average tiger and the average tank and declared the feat impossible. But in the UK, 2.5m motorists paid 1s 6d (7½p) each to buy a tiger tail to tie on their petrol caps. And "Hold That Tiger" became the most familiar jazz tune of the day.

Variations of the campaign – the main aim of which was simply to sell more petrol – ran all over the world. In Britain, it ran from 1964 until 1966, when the joke began to pall.

In that year, Dennis Page, who had worked for BP and Mobil, joined McCann-Erickson. Now a creative director, he is currently enjoying his 22nd year on the Esso account. Page's first task was to revive the tiger and stimulate fresh interest in Esso's advertising.

Firstly, Page created a campaign in which Esso's advertising manager decided to fire the tiger. The tiger made a direct appeal to the public to save it – and the public responded. Every national newspaper carried the story. Petitions from school children arrived at Esso headquarters.

"There is no doubt," says Page, "that in the early stages the campaign caught the imagination of the public and had a lot of impact. There is also no doubt in my mind that far from saving the tiger, it actually hastened his demise."

The campaign ran during 1968 and the cartoon tiger has not been seen since. Esso, together with the other oil majors, turned to sales promotions. In 1970, for instance, Esso offered World Cup coins. A promotions war started.

The oil crisis of 1973 brought that to an end, ushering in a depressing era in which any advertising was difficult, and a cartoon tiger much too flippant a figure. The only optimism lay in the prospect of North Sea oil.

To its dismay, Esso found that despite its heavy involvement in the North Sea exploration, its rivals, BP and Shell, were being identified as the important operators in the new fields. Esso was concerned that, in time, British motorists might show their gratitude by filling their cars at the stations of competitors which were thought to be doing more to help Britain's recovery.

McCann-Erickson was briefed to launch a corporate advertising campaign, explaining Esso's position as a major participant and investor in the development of North Sea oil. Six ideas were tested – but the one which produced the most remarkable response was Page's decision to bring back the tiger, this time live.

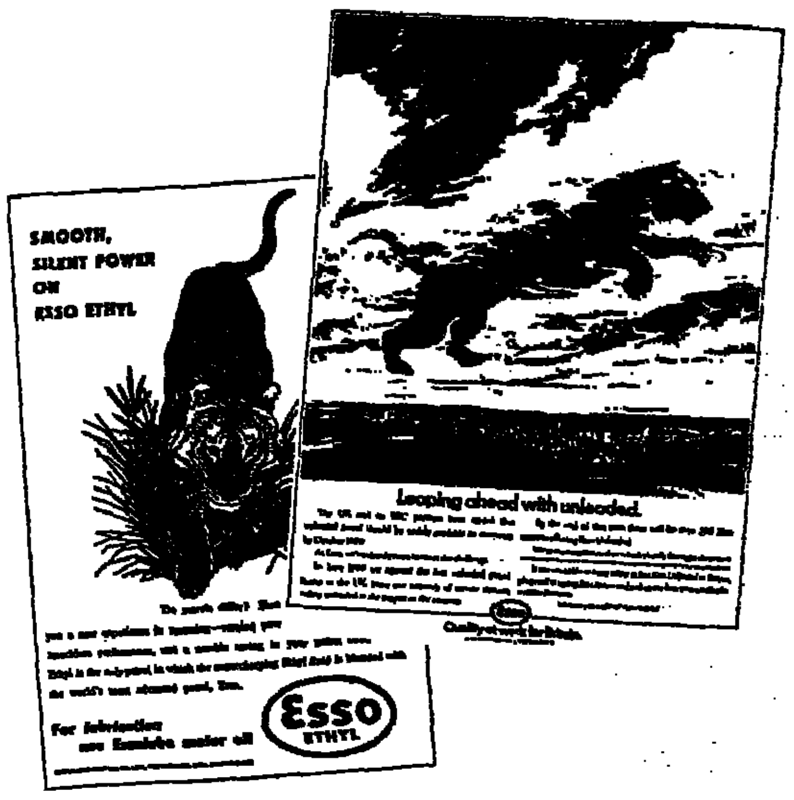
"He was seen as a herald of a return to normality and to better times," says Page. "People saw him as beautiful and graceful . . . but attributed to him all kinds of characteristics that matched the leadership and single-mindedness we were trying to convey about Esso the company. Adjectives such as purposeful and dynamic were used. He was described as having the same kind of elemental power as the North Sea."

Esso also recognised that the live tiger could be used just as effectively to advertise products as well as communicate corporate style.

Page had difficulty finding tigers that he could film in freedom. Circuses, safari parks and zoos, all insisted that either the film crews or the animals would have to be caged for safety. Then he happened to see a film called Where The North Wind Blows, the story of a man who befriended wild tigers. The film credits gave him the name of the handler who had charge of the tigers. He was tracked down in Los Angeles, and provided Page with two tigers, called India and Kipling, for filming, and with invaluable advice on how to react if the animals turned nasty. ("Hit them across the nose, it makes their eyes water.")

In three or four "shoots", Page has built up a library of film of the animals in a variety of settings from which sequences have been used for different television commercials.

The first appeared in 1975, with the tiger loping along a beach as a voice-over related Esso's role in bringing North Sea oil ashore. Others, reflecting the public mood, associated the company with British achievements, such as Concorde. The campaign brought about a marked improvement in Esso's public image. And as the oil crisis eased, the tiger appeared in product advertisements, demonstrating the grip and water dispersal qualities of Esso tyres, for example. (Kipling, one of the tigers, happens to love splashing about in water).



Esso's tiger: first used to convey smooth, silent power in 1936 (left) and now promoting its unleaded petrol

The second oil crisis of 1979 saw Esso's advertising again take on corporate themes, addressing such issues as the security of national oil supplies and the development of new forms of energy, with the tiger symbolically climbing out of depression.

It has since marked Esso's involvement in community projects from conservation to youth employment. And again, as the economy has recovered, it has been used in the last few years (Esso spends £10.5m a year on advertising in the UK) to promote sales of products such as diesel and lubricants, and most recently, unleaded petrol. "It has become a readily identifiable and adaptable symbol, and one that inspires a high degree of customer loyalty," says Michael Fretter, McCann's group director. "The tiger will continue to stand for Esso quality whichever way future advertising strategy develops, whether it concentrates on service or products."

MWB awarded for promotion of Rolls-Royce flotation

WHEN THE Government first sought to privatise Rolls-Royce, 15 years after the aero-engine company had been resurrected from a spectacular failure in 1971, it asked public relations consultants McAvoy Wreford Bayley (MWB) to carry out an investor relations campaign aimed at "experienced investors" to support the flotation.

All went well until, three months before the projected flotation early last year, the Government changed its mind and decided it wanted to attract mass public support for the issue.

"It caught us a bit by surprise," admits Michael McAvoy, MWB's chairman. "The Government re-defined its marketing objectives and sanctioned a major shift in emphasis, to target not merely the experienced shareholder but the mass public as well.

"The decision was taken partly for political reasons in advance of the impending General Election and partly because of the positive trends emerging in our tracking research on attitudes to the flotation," he adds.

It was a change of emphasis which forced the PR company to pull out all the stops to reach a much wider target market and convince that market that a previously-failed aero-engine company now operating in a highly-competitive world market was a good investment.

MWB's success in achieving this – the eventual Rolls-Royce flotation was over-subscribed nine times – this week earned the consultancy an award for investor relations from the Institute of Public Relations.

When MWB started its communication campaign early in 1986, it initiated market research which revealed that Rolls-Royce was little understood by the public or investors in general. Therefore, it was decided to reach the influential investors by briefing key opinion-informers such as financial journalists and investment analysts.

This approach paid off: tracking studies showed an increasing desire to invest in the issue and an enhanced understanding of the company's activities.

But when the Government sought to attract small shareholders, "it became a bit more complex and larger in size than a normal flotation," says McAvoy. "Obviously there was substantially more popular advertising as a result, but we also had to readjust our PR campaign."

The consultants' immediate priority was to educate Rolls-Royce senior management in the role they had to play in telling target audiences about the company.

"The intention was to build close relationships between the company and key investment analysts who, while Rolls-Royce remained in the public sector, had had no cause to follow its fortunes, and also senior editors of national and regional press and specialist aviation and engineering correspondents," is what MWB said in its award-winning submission to the Institute of Public Relations.

The press and investment analyst briefings took place over several months, taking in the Farnborough air show, plant visits and visits to the US to enable analysts to talk to key Rolls-Royce customers there.

All was going well until, two weeks before the flotation, the story broke about the postponement of production for the Rolls-Royce Superfan engine for the Airbus 340 aircraft.

"Although the Sunday Times made an investigative story out of this, such was the solid framework built prior to this among the media and analysts that it (the postponement) was seen as a sensible and prudent move by management and a long-term issue which would be resolved in the next five years," recalls McAvoy.

On the day the Rolls-Royce share price was announced, MWB achieved over 20 minutes of national television air time as well as press, radio, and regional publicity with stunts

McAvoy suggests that there are three key lessons to be learned from the flotation:

- Early planning of all stages was essential;
- Being conscious of the need to educate target markets about the company;
- And not "firing off all our guns too early before we reached the climax to the flotation."

The Rolls-Royce privatisation was considered a major success by the Government. The final number of applications received for Rolls-Royce shares was 2.03m, almost twice the 1.1m applications for British Airways shares when it was privatised.

David Churchill

Marketing abstracts

Two units trust launches. C. *Lock and Anon in Direct Response (UK) Dec 87 (3½ pages).*

Presents two case histories of unit trust launches that did not go quite according to plan – the "Royal Event" and Commercial Union. In one of these, an Epsom resident is said to have received 36 "invitations" from 26 financial intermediaries.

Advertising research: time for a re-think? *J. Grundy in European Research (The Netherlands), Nov 87 (7 pages).*

Advocates the role of the account planning department in developing more "pointed" creative briefs and therefore more relevant advertising. Believes that planners take a long-term view of a brand's development (e.g. using the J Walter Thompson "Planning Cycle" – the author is planning director of JWT). Reviews the achievement (or lack of) in advertising research and looks forward to a returnen to simplicity and clarity in research.

Going overboard: conferences and exhibitions. *M. Murray in Marketing (UK) Dec 3 87 (2 pages).*

Allied Dunbar spenyt more than £1m for 12 days with 1,400 consultants and directors at work and play, on the way to and from the Caribbean. And that's just one example of water-bound conferences.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

BUSINESS LAW

The penalty of not speaking up

By C.I. Boxer

SIX YEARS after their fraud was *discovered, the main perpetrators* of the greatest scandal in the Lloyd's of London history enjoy *the remnants of their spoils in* the US. Those who were called on to compensate the victims were *largely innocent bystanders*, many unaware of what had happened. Four recent cases have *shown what the courts' ruling* would have been, had the question of who should be responsible for *replenishing those lost funds* come before them.

Trial judges who deal with the *the dishonest who stalk the* commercial centres of the world in the first instance, are beginning *to impose upon bystanders the* duty to do something against the mischief which they have *noticed. It is to be hoped that* the Court of Appeal and the more remote judges of the House of *Lords do not reverse this trend.*

The trial judges are emphasising that standards of detection and, more important, prevention can be improved by imposing a legal duty in tort on parties who *witness something untoward* taking place, if a third party subsequently suffers as a result. If the *intermediaries involved in the* placing of funds abroad in the PCW fraud had questioned what *was happening, the twisted but* brilliant Cameron Webb and Peter Dixon might not have succeeded.

In the *Banque Keyser Ullmann v Skandia* case (1987 LLR, I, 69) *Mr Justice Steyn found that the* insurers owed a duty to various banks, their insured. The banks *had been misled by their broker* to believe that they were fully insured for a certain period of time when, *in fact*, they were not. Had they been kept properly informed, the banks might have become alerted about the transaction and not accepted pledges of valueless gems.

The judge reached his conclusion by two routes:

(1) The duty of good faith that exists in an insurance contract applies as much to the insurer as to the insured and merely returning the premium and repudiating the contract was hardly a worthwhile *remedy to the defrauded* insured banks. The breach of that duty by an insurer could justify a *claim for* damages.

(2) Alternatively, insurers owed the banks a duty of care and were *liable to them for civil* wrong if they failed in their duty. So close was the relationship between insurer and insured that the insurers ought to have found a way of communicating to the banks that their broker was not be trusted, had misled them and *that the transaction was questionable.*

At the end of 1987, Mr Justice *Hobhouse, in a shipping case (The Good Luck)* found an insurer liable to a bank for failing to *bring to its attention the strong* possibility that it was going to lose money if it loaned further *moneys to its customer*, the insured of the insurer. *The Good Luck*, which has yet to appear in *the Law Reports*, is an *important* case and is likely to go to the Court of Appeal.

In this case the judge found that the owners of the *Good Luck* were trading ships in and out of *Additional Premium Areas (that* is dangerous waters) without making any declaration to insurers *and without paying additional* premiums. Insurers' agents who had discovered what was *going on in the autumn of 1981* were "apparently prepared to shut their eyes to that state of affairs."

The insurers took no steps to stop the owners from continuing *this practice*, though *they* had agreed with the bank to protect its interests in the policy. In April 1982 the owners of the *Good Luck* renegotiated their loan facilities with the bank. The bank *knew the ships were going into* the Gulf but did *not* know that they were, in effect, uninsured *for such voyage at the time*. The insurers' agents did not inform the bank.

The Good Luck arrived at Bandar Abbas, an Additional Premium Area, on May 30 1982. On *June 6 1982 she was hit* by an Iraqi missile and became a total loss.

The owners *then* made a fraudulent claim upon the insurers pretending that they had given an advance declaration of entry into the Additional Premium Area and that they were unaware of the existence of the prohibited area, and the bank granted them an additional loan amounting to almost $2.7m. On August 4 1982 the insurers rejected the claim but only on the next day did they tell the bank that the claim was false and that they entertained suspicions about the honesty of the owners.

The judge (not following Mr Justice Steyn *in the Skandia* case), decided there was no duty of good faith owed by an insurer to the assignee of the benefit of an insurance policy. It might be different if the assignee (the bank which had taken the insurance policy on the ship as part of its security and had received from the insurers' agents a letter of undertaking that the policy would remain in effect) had acted like an insured and intermeddled in the insurance policy. This the bank had not *done* and the *duty* of good faith applied therefore only to the original insured and the insurer. *The judge held that* the letter written by the managers of the P.I. club, the brokers *who set up the insurance, created* a contractual relationship.

The judge also concluded that *the insurers' agents had* a duty to speak up, however distasteful it might have been to question the *honesty of one of* their major clients and possibly cause its collapse. As agents of the insurers *they had to warn the bank of the* risk it ran if further moneys were lent, but failed to do so.

The *insurers thus avoided* paying for the lost ship but had to pay the bank almost $3m for the loan which the bank was unable to recover.

In different circumstances the Court of *Appeal* has emphasised that people to whom a duty of care is not normally contemplated can recover damages from a particular class of bystander.

In *Al–Kandari v J R Brown & Co*, the solicitor acting in a disputed custody case for a husband who had exhibited a violent *determination* to get hold of the children in the past, had given an undertaking to the wife's solicitors *that* he *would not* part with the passport of the husband. The husband persuaded his solicitor *to hand* over the passport to the Kuwaiti Embassy, ostensibly for the purpose of having the children removed from the passport. He then persuaded an embassy official to let him have the passport – and kidnapped the children. The wife sued the husband's solicitor in negligence.

Both the trial judge and the Court of Appeal held that a duty of care was owed by the husband's solicitors to the wife, even though she was in conflict with their client. First, Mr Justice *Christopher* French *held* that there had been no breach of that duty because the loss sustained by handing the passport over to the embassy officials was not foreseeable. But the Master of the Rolls and the Court of Appeal did not agree: the husband's previous behaviour was such that a solicitor who has given an undertaking ought to have foreseen the real possibility that once the passport was in the hands of a busy embassy, the husband might get possession of it and use it to remove the children. Damages of more than £20,000 and costs were awarded to the wife.

The principle is the same as that emerging from the *Skandia*, the *Good Luck* and the *Comfort Letter* case. If parliament is not prepared to assist by strengthening the law against dishonesty, the trial judges are finding ways of persuading those who are involved as bystanders to intervene. If they do not, or if they benefit in some way from the misdeed, they could be held liable in damages to those who have suffered as a result. This may not be the ideal solution but is probably the effective second best.

The author is a partner in the City law firm of Fishburn Boxer.

Correction: The headline on the Business Law column in Wednesday's FT incorrectly placed the European Court of Justice in The Hague; the headline should, of course, have read Rogue elephant in Luxembourg

FINNISH INDUSTRY

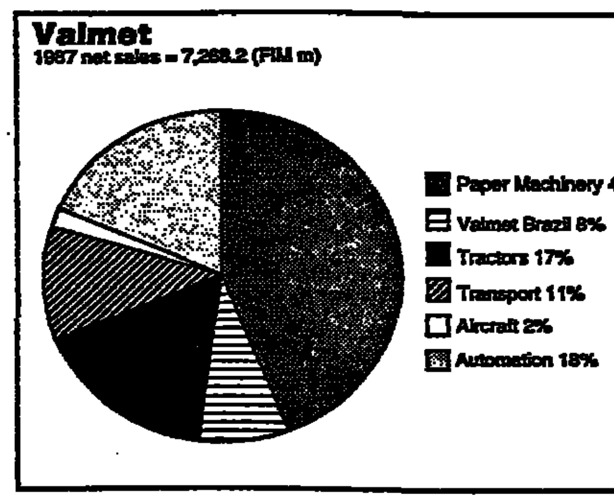
Olli Virtanen on Finnish plans to roll back the public sector

Valmet's slow road to the bourse

VALMET, THE Finnish metal and engineering group, is to seek private capital on the stock markets. But, as a host of other state-owned companies waiting in the wings can testify, the process of partial privatisation can be slow and difficult in Finland.

The Government will gradually open doors for a limited number of companies to issue shares, but it has no intention of relinquishing control of any of them. Thus the Government will not actually divest its holdings, it will simply let its ownership shrink with the issue of new shares.

Valmet, headed by Mr Matti Kankaanpaa, is the world's leading paper machinery manufacturer, with other interests in automation and tractor and transportation equipment. Other candidates for partial privatisation include Outokumpu, the metallurgical group, Veitsiluoto, the forest products company, Kemira, the fertiliser and paint group, and Neste, the oil and chemical group.



Common thread

All of the companies generate most of their revenue outside Finland. Another common thread is that, with the exception of Neste and its privileged position in oil imports, the companies are not protected by state monopolies.

Since early this decade Finland's state-held industrial companies, which account for about 17 per cent of the country's total output, have changed dramatically.

Traditionally regarded as part of the welfare system, providing jobs and cheap services, they were suddenly required by the Ministry of Trade and Industry to make a profit. And profits they have made.

Large groups, like Enso-Gutzeit and Valmet, have turned from deep losses to impressive results in just a few years. Mr Ilkka Suominen, the Minister of Trade and Industry, says proudly: "My office is the Panzer division of Finland's structural reform, while other ministries provide the hospital services."

In other words, if a state-owned company has to reduce its workforce in order to be competitive it will readily do so, leaving the Ministry of Social Affairs and the Ministry of Labour to pick up the unemployment tab.

However, Mr Suominen increasingly finds himself under pressure from the very economic policies he dictates. More and more, the management of state-owned companies are demanding access to competitively priced risk capital.

As it is, the ministry usually receives more from the companies in dividends than it gives back in capital increases.

State-owned companies paid a total of FM355m ($86.1m) in dividends last year, while they received FM340m in capital. The corresponding figures in 1986 were FM277m and FM270m.

Valmet, which ploughed FM1.2bn back into its business via capital investment last year and paid dividends of FM42m, received just FM47m of new capital from the Government. Group turnover in 1987 was FM7.3bn, while profit before appropriations and tax totalled FM423m.

Thus state groups have been forced mostly to rely on debt financing whereas private sector rivals have been able to raise equity capital through the stock market, usually at handsome premiums.

This situation, rather than any political ideology, is the driving force behind the Government's plan to open up the state sector to outside shareholders.

The initial steps will be cautious. Mr Suominen, who is also chairman of Kokoomus, Finland's foremost conservative party, explains that the Government will first watch carefully the "Valmet experience" before allowing other companies to follow suit.

At this stage he does not care to disclose the extent to which Valmet will be privatised, pointing out that the Government has no immediate plans to amend the law over Valmet, which limits the state's disposal to 40 per cent of the company.


Matti Kankaanpaa: seeking private capital

Why doesn't the Government sell entire companies to private investors?

Mr Suominen says: "First, the Government is not desperately short of funds. And secondly, the current political climate in Finland is not ready for it."

But he points out that another 10 years could make all the difference. "We may well move toward that goal through pragmatism," he adds.

The Valmet share issue is probably going to take place in the autumn once parliament has the legal seal on the move. The company's present capital of FM500m will possibly be increased by FM200m and the authorities will be carefully balancing the flotation to attract investors while avoiding counter accusations of a state giveaway.

Finnish analysts unanimously agree that Valmet is in a good enough commercial shape to be floated on the stock market. But opinions differ on how the issue ought to be launched.

Should it be targeted to the company's personnel, to Finnish institutions, to Finns only or to foreigners as well? Would a tender offer produce better results than an ordinary share issue?

These questions and others are now being deliberated by most of Finland's financial institutions and some half a dozen foreign banks and brokerage firms which offer services to Valmet.

Domestic demand

It is likely the initial issue will not include free shares (shares available to foreign investors) because the Government primarily intends to satisfy domestic demand.

In theory, says Mr Suominen, Finnish law would permit foreigners to buy up to 20 per cent of any of the companies.

Furthermore, the companies could also seek listings on bourses outside of Finland.

Outokumpu is the company most widely tipped to follow Valmet into the private sector. It has already made an agreement with employers to compensate reduced retirement benefits in the form of company shares.

The company announced last March that it would target an issue worth FM500m — about 25 per cent of its equity capital — to employers in exchange for raising the current average retirement age of 55 and reducing pension benefits.

Outokumpu's moves so far do not include a public offering, but the company has declared its aim to seek a listing on the Helsinki Stock Exchange within two years.

As for Neste, Mr Jaakko Ihamuotila, the company's president, has long lobbied for official permission to seek private capital. With a group turnover of FM26bn and capital investments totalling FM2.3bn in 1987, Neste desperately needs to strengthen its capital structure.

One way to do this would be to separate the oil trading, chemicals and fuel retailing operations from oil imports and refining.

This would open the way for the former to be listed on the stock market, while the latter remained in state hands.

Stock Exchange report shows no drop in charges

BY CLIVE WOLMAN

THE CHARGES imposed by London Stock Exchange market-makers in the form of spreads between the buying and selling prices for shares have this year remained consistently at levels well above those imposed before the Big Bang reforms of October 1986, according to figures released yesterday.

The high charges, which have persisted in spite of the massive influx of new competitors and risk capital since 1986 and the shortage of customer business in recent months, support the recent claims of several agency brokers of tacit collusion between the market-makers.

The brokers have complained that the market-makers have been refusing to narrow their spreads again after they more than doubled in response to the greater share price volatility at the time of the October 1987 stock market crash. Although the spreads narrowed again slightly between late November and early January, since then there has been no further narrowing of spreads, even though volatility has continued to die down.

According to the figures published in the Stock Exchange's quarterly report on the quality of its markets, the average spread, or touch, between the best buying and selling prices, for the most actively traded alpha stocks, stayed around 1.2 per cent between January and April. This compares with an average 0.9 per cent touch before the Big Bang. Mr Keith Goldie-Morrison, head of the Stock Exchange's quality of markets committee, said that he thought that any further narrowing of touches since April was unlikely.

The wider spreads have helped ensure that the fall-off in revenue of securities firms has been less dramatic than was feared a few months ago. The volume of share dealings with external (non-Stock Exchange) investors fell off sharply in the aftermath of the October crash and reached its nadir in February when turnover fell to £664m per day. In March the figure rose to £846m.

In foreign equities the daily customer turnover has fallen from £500m per day in the third quarter of 1987 to £300m in the first quarter of this year. In the traded options market, trading has fallen by about 40 per cent compared with early 1987 to 29,000 contracts per day.

David Thomas visits the first of the Government's planned city technology colleges

Kingshurst pioneers blue-chip approach to education

THE REPUTATION of government ministers hangs on an experiment coming to fruition the bland expanse of featureless council estates lying between Birmingham's National Exhibition Centre and the outskirts of the city proper.

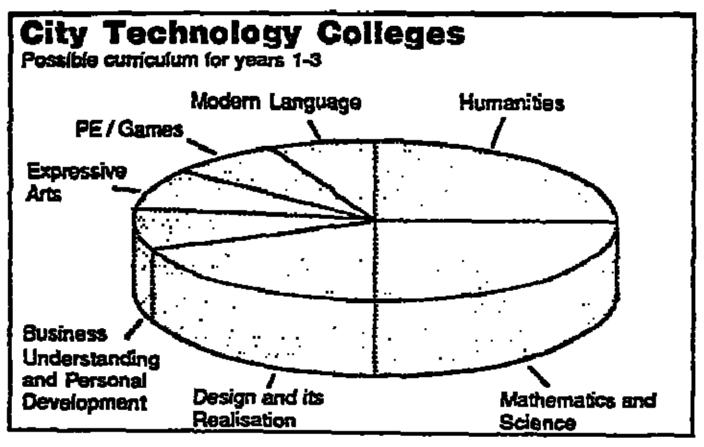
Earlier this week, workers were climbing all over a six-storey building in a bid to have it ready for September when a revolutionary new type of school is due to open there. Kingshurst City Technology College will be the first of 20 such colleges intended by ministers to shake up Britain's urban education.

Mr Kenneth Baker, Education Secretary, is planning today to travel to Middlesborough where he will reveal the blue-chip company backing the Middlesborough CTC. It will be joining a select group of Britain's most important companies which have nailed their cheque books to the CTC mast.

However, Mr Jack Straw, Labour's education spokesman, is convinced that CTCs will prove, in his words, to be Mr Baker's "Achille's heel." His doubts are echoed, albeit more discreetly, by some corporate giants every bit as distinguished as those backing the project.

CTCs, first announced by Mr Baker in 1986, are aimed at several targets. They are one of a clutch of initiatives to break the monopoly of local authorities over state education, particularly in depressed urban areas.

City Technology Colleges
Possible curriculum for years 1-3



They are a response to claims among businessmen that the education system is failing to produce enough young people with the right skills, and they are part of a drive to get businesses to take a more active role in schools.

CTCs will be non-fee paying, independent of the local authorities, and will cater for 11- to 18-year-olds with a bent for science and technology. Commercial sponsors are being sought for each college's capital costs, with the lead sponsor normally contributing at least £1m. Central government covers the running costs.

Mrs Valerie Bragg, Kingshurst's dynamic principal, has been busy preparing for the college's first batch of 180 11-year-olds. All the 350 children who applied, together with their parents, were interviewed.

The children were chosen from the full ability range, so that the CTC could not be accused of catering for an elite. The intake is evenly divided between boys and girls. It has 7 per cent from the ethnic minorities, mainly West Indian, reflecting the population make-up of its catchment area.

That catchment area is deliberately wide: CTCs are meant to ginger up as many local authority schools as possible, but not to draw too many pupils away from any one school. Sited in Solihull, Kingshurst's catchment area straddles both Solihull and Birmingham education authorities, competing with about four secondary schools from each.

Kingshurst will be marked out from these schools by its curriculum. About 50 per cent of an 11-year-old's time will be spent on technology-related subjects, including maths, science, design, information handling, economic awareness and business understanding. By the sixth form, most of Kingshurst's pupils will be focusing on science and technology, either at A-level or through vocational courses.

Mrs Bragg, previously head of a state secondary school in Hereford and Worcester, insists that Kingshurst will not ignore the humanities or arts. "Drama and music and the aesthetics will be very high on the agenda. They are part of making them rounded people."

But they will be taught in a way novel to most schools, Mrs Bragg says. Pupils will learn music with the help of computers and music synthesisers. English will be taught using desk-top publishing techniques. "It will be technology in everything."

To fit this in – plus the compulsory extra-curricular activities – Kingshurst will work longer than most schools. Eleven-year-olds will stay one day until 5.30pm, instead of the normal 4pm. Final-year students may have a longer working week. The terms will be a week or two longer than most state schools. In return, the teachers are being paid about 5 per cent above the odds.

Kingshurst has been helped by more than 40 mainly local companies, about 25 of which have made a financial donation. Hanson, the lead sponsor, has put up £1m for the buildings; it has also given the college legal and financial help. Lucas Industries has made executives available to advise the college on its information technology needs.

Industrialists sit on advisory committees established by Mrs Bragg, including groups on the science and maths curriculum and how to appraise her teachers.

Yet for every company that has backed a CTC so far, more than a dozen have backed away. The Government approached about 1,800 for funds. The great majority, including the bluest of blue-chips, such as ICI, GEC, British Gas and IBM, turned it down. Most will say no more in public than that they are heavily committed to other education projects. But privately some volunteer concern that CTCs are a gimmick, destined to benefit a tiny minority and to disrupt local authority provision in the process.

Mr Derek Roberts, GEC's technical director and newly appointed provost of University College, London, spoke for many when he said: "We're dead against it. It's the wrong way of solving the problem that creates a cuckoo in the nest in the big cities."

In his assault on CTCs, Mr Straw has been scathing about the Exchequer having to provide most of the capital cost. The Government originally said the commercial sponsors would "meet all or a substantial part of the capital costs." Mr Cyril Taylor, the businessman advising Mr Baker on CTCs, now acknowledges that the private sector will provide only a quarter of the costs on average.

Moreover, reflecting difficulties in finding sites, which CTC backers blame on recalcitrant Labour authorities, proposals have been made to transform existing schools with adequate or good track records into CTCs.

The governors of Riverside school in Thamesmead, just outside London, were meeting last night to discuss holding a ballot of parents on the proposal, which is backed by the Thamesmead town authorities and the Mercers Company, to turn the school into a CTC. Mrs Adele Gordon-Peiniger, a parent governor at Riverside, said yesterday the governors and most parents had opposed the idea, but so far to no avail.

However, the Government will not be deflected in its drive for more CTCs. Mr Taylor is confident that 15 colleges will have been announced by the end of the year: a burst of announcements is promised after today's in Middlesborough.

British Coal criticises plans for electricity

By Charles Leadbeater and Maurice Samuelson

BRITISH COAL yesterday criticised the privileged status of nuclear power under the Government's plans for the electricity industry, but was itself warned by the Central Electricity Generating Board chairman of losing market share unless it "got its act together."

Lord Marshall, the board's chairman, said that natural gas power stations could eventually account for "several per cent" of the electricity market unless British Coal and its unions had sufficiently improved the industry's competitiveness.

Mr Malcolm Edwards, British Coal's commercial director, meanwhile, challenged the Government to explain its intention to put an economic "ring-fence" round nuclear power while the coal industry was at the mercy of market forces and exposed to threat of significant imports by a privatised electricity industry.

Mr Edwards' complaints, made at a conference on coal and the environment, were aimed at the privileged place of nuclear power under the Department of Energy's plans to privatise the electricity industry.

Mr Michael Spicer, junior Energy Minister, will be under pressure to re-state the Government's policies when he addresses the conference today. On Tuesday Mr Spicer criticised British Coal for taking too long to introduce more efficient working practices.

Mr Edwards expressed surprise that the privatised electricity industry would be expected to obtain at least 20 per cent of its power from renewable, primarily nuclear, just as falling coal prices have undermined the economic case for constructing new power stations.

Mr Edwards' comments seemed to signal a departure from British Coal's longstanding refusal to enter polemics on nuclear power. Despite the replacement of coal by nuclear generation, the Corporation has previously remained mute on the controversial issue.

Agriculture subsidies 'UK summit priority'

By Philip Stephens

BRITAIN is to make progress on reducing agricultural subsidies one of its priorities at the world economic summit starting in Toronto on Sunday, Mr Nigel Lawson, the Chancellor of the Exchequer said yesterday.

In a briefing before the seven-nation gathering Mr Lawson indicated that he expected discussions on the general economic outlook in Toronto to be uneventful. "That is because the world economy is in such good shape," he said.

If there were any risks facing the world economy they were of higher inflation rather than of a recession. In those circumstances it was essential that governments remained "vigilant", but Mr Lawson declined to single out the US as the country facing the most significant inflationary pressures.

Britain's proposals to accelerate progress in dismantling agricultural subsidies would focus on a call for an immediate freeze on existing subsidies followed by a gradual reduction, though without any specific target date.

The Chancellor suggested that such a plan was more realistic than the US proposal to eliminate completely all subsidies by the year 2,000. He acknowledged, however, that his proposals were likely to face opposition from other European summit countries. France and West Germany have shown themselves far from enthusiastic about such ideas in the past.

Referring to proposals to ease the debt burden of the poorest countries in sub-Saharan Africa, Mr Lawson said he was more hopeful than he had been any time since he launched his initiative last year that an agreement could be reached. The US, however, would have to be ready to increase its contribution to such a plan.

Textile industry hit by soaring imports

BY ALICE RAWSTHORN

A SHARP rise in textile and clothing imports at the start of the year and sluggish exports have hit output and employment in the textile industry.

Imports rose by 15 per cent to £1.8bn in the first quarter, according to figures published yesterday by the British Textile Confederation. Clothing imports were 18 per cent up at £793m.

The industry has been hurt in recent years by a sharp rise in textile imports from low-cost producers in the Far East, fuelled by the fall of the dollar and of the Far Eastern currencies linked to it.

Until last autumn the industry could count on a slowdown in European imports to balance this influx from the Far East. Since then, however, sterling's strength against European currencies has catalysed a rise in imports from both sources.

The stronger pound also took its toll on exports. The rate of export growth slowed to just 5 per cent to £837m in the first quarter.

Altogether, the balance of trading deficit for textiles and clothing rose by 26 per cent to £939m.

The industry has been helped by buoyant consumer spending on clothing and the recent growth after several lacklustre years in expenditure on home furnishings.

Yet pressure on prices due to the import surge and steep rises in raw material prices have combined to squeeze profits.

Output in textiles and clothing fell by 1 per cent over the first quarter of 1987, and 3,000 textile workers lost their jobs in the first three months of the year.

Knitwear has been among the most vulnerable sectors. The increase in imports was compounded a fashion change towards more tailored clothing. Many knitwear companies are now on short-time working. Coats Viyella, one of the largest producers, announced job losses earlier in the year. More recently, Corah made nearly 800 people redundant.

Courtaulds and Lister acrylic mills have also been forced to close mills under pressure from cheap Turkish yarn.

THE BARLOW CLOWES AFFAIR

Auditors warn it could happen in other companies

BY RICHARD WATERS

FORMER auditors to Barlow Clowes warned yesterday that misuse of investors' money of the kind suspected in the Barlow Clowes case could occur again, in spite of new tougher regulations contained in the 1986 Financial Services Act.

"I think it certainly *could* happen. We would hope that under the Act there is a lower probability," said Mr Bob Willott, a partner at Spicer & Oppenheim, which audited Barlow Clowes companies until their takeover by James Ferguson Holdings last year.

The ability of companies legally to set up networks of related companies, and to use nominees companies to disguise the true ownership of investments, made it virtually impossible to uncover how funds had been applied, he said.

Regulators and auditors are only likely to be aware of the existence of related companies if they are pointed out by directors.

Another auditor of companies controlled by Mr Peter Clowes, Arthur Andersen partner Mr John Priestley, last week criticised the "free-for-all" that allows transactions between related companies to go unregulated.

In the Barlow Clowes case, companies connected with Mr Peter Clowes and audited by Arthur Andersen and Arthur Young disclosed in their accounts the existence of unsecured interest-free loans made by Barlow Clowes nominees.

However, Spicer & Oppenheim, as the Barlow Clowes auditors, were not aware of the existence of related overseas companies through which money may have been channelled.

Also of concern is the way that misdemeanours at Barlow Clowes slipped through the audit net, even though the auditors appear to have fulfilled their duties.

Spicer audited the accounts of Barlow Clowes Gilt Managers, the UK investment vehicle, until June 1986. Papers lodged in court at the end of May this year alleged that an amount of between £7m and £14m was diverted out of the company to Geneva, but that the auditors were not informed. This was said to be dealt with "outside the company's main system centred and controlled in London," suggesting that it did not pass through the company's books, and therefore could not have come to the auditors' attention.

Spicer also audited Barlow Clowes International, the Gibraltar-based company, but no client money had been transfered to this company by the time the auditors' involvement ended in 1986.

No audit of Barlow Clowes companies has been completed since then. After the takeover by James Ferguson, the Barlow Clowes companies' year ends were changed to coincide with those of the parent. This left a 17-month gap, before Department of Trade inspectors were appointed in November 1987, during which the company went unaudited.

Touche Ross, appointed to follow Spicer, never completed an audit of Barlow Clowes. However, they reported on the companies in March last year in connection with the takeover by James Ferguson Holdings. At that time they pointed out the existence of interest-free loans between the Clowes companies.

New rules under the Financial Services Act are likely to lead to abnormalities being discovered earlier, even if they would not prevent them. These include reports by auditors on companies' accounting and control systems, and spot-checks by regulators.

In addition, the Financial Services Act now subjects adverts by offshore investment companies to stringent rules. But other provisions of the Act, such as those designed to keep clients' money separate from the investment company's, cannot be applied to companies outside the UK. This makes it a continuing risk for investors to put money into offshore companies, even if their adverts carry a reference to approval by a UK-authorised firm.

Fund management groups were offered to rivals

MR PETER CLOWES offered his collapsing fund management companies to rival financial groups two weeks ago in a desperate attempt to avoid closure by the regulators, writes Barry Riley.

He visited Gartmore and Tyndall after Imro, the Investment Management Regulatory Organisation, had turned down Barlow Clowes' application for authorisation.

According to fund managers who talked to him, he claimed at the time that the UK side of the business was sound, but admitted that there might be problems in Gibraltar.

Mr Clowes apparently hoped to find a respectable backer in order to satisfy Imro about the soundness of the business. But according to Mr Peter Scott, a director of Gartmore, which is part of the British & Commonwealth Group, the discussions were only superficial.

Gartmore, like other fund management groups which have offshore operations, has for some years found it difficult to compete with the high yield offered by Barlow Clowes.

Even though Barlow Clowes International has now been shut down, high income offshore funds of all kinds are being affected by a crisis of confidence, and sales have collapsed.

Peter Clowes: arithmetic eventually did not add up

BY RICHARD DONKIN AND IAN HAMILTON FAZEY

IN SPITE OF the wave of publicity that has suddenly made the name of Mr Peter Clowes known throughout Britain, he remains very much a mystery man as far as the bulk of the financial, professional and business community in Manchester and the north of England is concerned.

One chief executive of a private company, who personally runs his own staff's pension fund very successfully, said: "I was beginning to think that I was socially incompetent. Here was a highly successful operator, living and operating in the most prestigious part of Cheshire, and I had never heard of him, let alone met him.

"Then I discovered that most of the people I know in Greater Manchester don't know anything about him either."

Until he went public two years ago through injecting his fund management businesses into James Ferguson Holdings, Mr Clowes' companies were private concerns without the published accounts which would normally have circulated automatically among the bankers, stockbrokers, solicitors and accountants who comprise the growing Manchester financial and professional services industry.

He is remembered vaguely by some of the professionals for the time in the 1970s when he was trying to get his gilt trading schemes off the ground. He did the rounds of many of the larger brokers, financial intermediaries and advisers but got nowhere.

Peter Clowes arriving in London yesterday after his arrest in Manchester

Mr David Pine, the partner in solicitors Alexander Tatham and Company, which is planning a joint action on behalf of investors in the Barlow Clowes funds, said: "They were not sure of him and suspicious of his schemes. They showed him the door."

"It was offering an above average yield for a standard product and you had to wonder why," Mr David Adams, managing director of Henry Cooke Lumsden, the leading Manchester stockbroker which is Britain's biggest outside London.

It was this sort of reaction that made it clear to Mr Clowes that he would have to operate among smaller financial intermediaries, often one-man firms operating in suburban high street back offices, who would be less choosy.

As one north-west solicitor put it: "There are a whole brood of brokers up and down the country who know very little about the products they sell. They are just interested in the commission and Mr Clowes was prepared to pay them over the odds in that department.

"There may well be a fine line between when a commission becomes an inducement. A normal level would be 1 per cent, not the 2 per cent Mr Clowes offered some brokers. Hopefully, the Financial Services Act will weed many of these people out."

Mr Clowes would have been well versed in the allure of good commissions because he started out as an insurance salesman. He developed his investment ideas with Mrs Elizabeth Barlow when both were members of the sales team at the Manchester branch of Cannon Assurance Ltd in the early 1970s. Mr Clowes had joined the company at the age of 25 in 1969 when it was called International Life Insurance (UK) and was a subsidiary of Mr Bernie Cornfeld's Investors Overseas Services, which collapsed in 1970.

International Life was bought from the liquidators in 1972 by Keyser Ullman Holdings, which was chaired at the time by Mr Edward du Cann, the Conservative MP, who also eventually chaired the Conservative backbenchers' 1922 Committee.

Before the name change, Mr Clowes was one of the 2,000-strong sales team selling the Dover Plan – much-criticised by rival unit trusts and life groups for the secrecy with which it conducted its operations. The plan was dropped in 1972. That aside, this minor role in the large international sales force was the closest association Mr Clowes had with Mr Cornfeld, who almost certainly never knew of Mr Clowes.

The Cornfeld philosophy behind motivating his sales force was summed up in one famous phrase: "Do you sincerely want to be rich?" If Mr Clowes believed this, he did not show many signs of a wish for grandeur in those days. Colleagues say that he dressed modestly and did not have expensive tastes, although he did have a passion for motor sport.

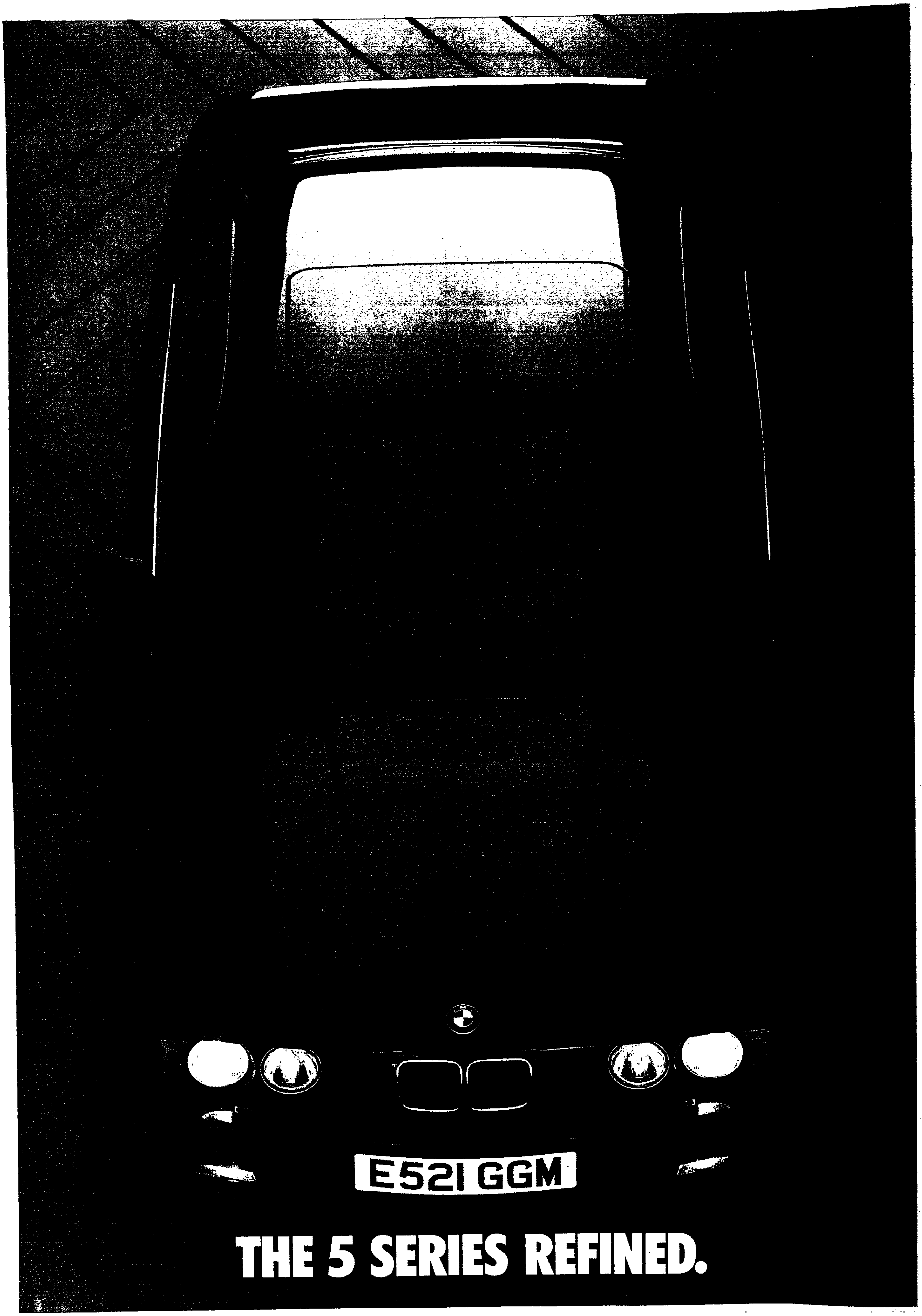
Mr Clowes is remembered by colleagues as a conscientious worker. They say he was enthusiastic but never engaged in sharp practice. He eventually rose to become a broker-consultant but in 1973 he left to form Barlow Clowes with Mrs Barlow. It was a brokerage business selling gilt investments; Mrs Barlow left the company in 1976.

Mr Robert Merrick, direct marketing manager at Cannon Assurance, remembers Mr Clowes as a good salesman among the team of 250 which worked from St James's House, in Charlotte Street, Manchester.

Mr Merrick said: "He left us with our good wishes to further his career. Had he not chosen to leave us we would have been happy for him to stay."

One colleague who looked at the early Barlow Clowes investment packages said: "In theory the yield seemed possible but I knew they were paying commission and management fees and when you took that into account the arithmetic just did not add up."

Nevertheless he seems to have given many investors a good run for their money for many years. The figures did not finally stop adding up until very recently.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MARCH
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TECHNOLOGY

New methods help Caterpillar dig itself out of a hole

Nick Garnett reports on the earth-moving equipment maker's use of advanced manufacturing techniques to cut production costs

THE ABILITY of manufacturing companies to drive down production costs through the introduction of modern techniques is becoming one of the main planks in survival plans for competitive and saturated markets.

Caterpillar, the world's largest earth-moving machinery company, which a few years ago was nearly crippled with losses but is now making substantial profits, is immersed in this issue.

A combination of rationalisation and reorganisation, better shopfloor housekeeping and a $1bn (£550m) investment programme, called Plant With A Future (PWAF), is cutting production costs by 15 to 20 per cent.

Cat's Gosselies site in Belgium is an example of the changes underway and of the benefits of introducing modern production methods in heavy engineering. The new ranges of diesel engines being produced on its new lines are costing a fifth less to make than previous models, Cat says. This is the equivalent of an average $1,200 in savings per engine.

Cat, which is based in Illinois, makes more than 100,000 engines a year from 50hp to 6,600hp and has traditionally used so-called transfer lines with fixed tooling. This type of manufacturing has advantages in high volume, standardised production.

The drawback, however, is that it is a rigid system and does not cater easily for the simultaneous manufacture of different engines with different cylinder configurations. It is also costly to retool when engine design is altered. "It can cost you $1m just to change the location of one machining hole," says John Winters, vice president and general manager for Cat's diesel engine division.

New machinery in the lines that manufacture camshafts, cylinder heads and blocks and crankshafts is designed to be flexible. The aims of the systems are to reduce tooling set-up times to a minimum, allow machining of up to three engine types at random volumes at any one time and remove workers from materials handling between machining stations.

Systems at Gosselies are capable of working at random volumes on the new four-cylinder 4.4 litre, six-cylinder 6.6 litre and 10.2-litre engines on any one day.

The pressure to use more flexible systems is also being exerted by the life cycle of a diesel design. At one time, an engine would last up to 20 years without any significant modification. Now it lasts 10 to 12 years with two or three design and engineering updates during that period.

In the engine manufacturing areas at Gosselies (the plant also makes complete earth-moving machinery), 35 large machining systems have been installed. Huller-Hille, the West German machine tool company, has acted as principal contractor for the block and cylinder head line.

For the crankshaft and camshaft facility, Cat has helped design a system using equipment from several machine tool suppliers, including grinders from Butler Newall of the UK, lathes from Swiss company Georg Fischer and deep hole borers from Nagel of West Germany.

The Huller-Hille machines illustrate the benefits of flexibility. Costing around $1m each, they can machine 56 holes at a time using up to eight tool-holding rotating heads. "With these big computer controlled machines the whole head can be changed to allow alterations in engine design to be catered for in machining," says Michel Van Der Linden, manufacturing manager at Gosselies.

Tool set-up times, which used to account for about 8 per cent of total manufacturing time in a typical Cat plant, are much lower at Gosselies.

Many other features help reduce manufacturing costs. Heat treatment for toughening metal, which used to be handled in a separate section of the shopfloor, is now incorporated in the machining lines. Smoothing or deburring of crankshafts is done automatically by a tiny robot with a half-inch tool head.

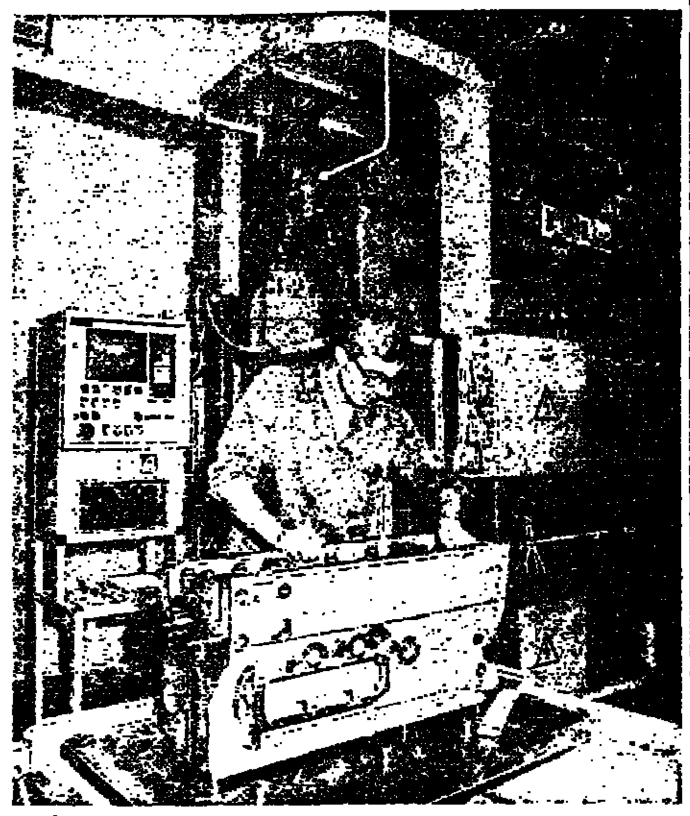
Cat says the automation of handling has been carried as far as existing technology will allow. This is mainly done through an overhead system, made by W+M of West Germany, based on a two-armed, gantry-mounted robot which moves along a track. One arm extracts a component from a machine tool after machining, while the other inserts another component.

The company claims that the total time for manufacturing a crankshaft will eventually fall in Gosselies from about one and a half weeks to less than two days.

Modern production methods also improve quality. "In the old process of machining a block you have to rely on the machinist," says Winters. "He could drill into the water jacket or oil gallery by mistake. The hole would then open up in the field. You might not see it until then."

At the end of the manufacturing process, a Swiss-made machine with a long measuring probe works its way around the engine block checking the accuracy of all the bore holes.

Cat decided when it started to revamp Gosselies that it did not want to load up the plant with equipment before assessing sales for the new engine ranges. Gaps have been left for the installation of up to 15 more machines to increase capacity according to market demand.



The final assembly area at Caterpillar's Gosselies factory

Falling figures tell a story of survival

ASK PRODUCTION managers at Caterpillar about the steel plate used in the company's global empire of more than 30 manufacturing plants and their eyes light up.

Steel plate may not sound exciting, but it has become a symbol and statistical marker for one of the most fundamental manufacturing upheavals experienced by a company.

Five years ago, Cat used more than 2,000 plate sizes to make its equipment and components in a bewildering array of thicknesses, lengths, widths and even metallic content.

By 1986 this was down to 1,400, last year the number had reached about 700 and, by the end of next year, Cat expects to be purchasing only 125 standard sizes.

Cat used to be stuck in the mud with the rest of smokestack America. Dreary factories with slipshod practices, too much floorspace and too many people provided a recipe for disaster.

When the recession hit in 1982 and world-wide demand for Cat products slumped by 40 per cent the company was plunged into the red and sunk to a loss of $428m in 1984.

Cat returned to the black in 1985 and last year made a net profit of $350m on sales of $8.2bn. In the process, it started to exert pressure on Komatsu, its Japanese rival and a thorn in its flesh throughout the 1980s.

Rising world-wide demand, currency movements and better price margins have helped enhance performance. But Cat has also taken some difficult steps, including cutting the labour force from 89,000 to 54,000 and closing seven factories – with two more to come.

Under the "Plant with a future" (PWAF) programme, 88 capital investment projects have been identified. It is a sign of how much fat Cat had allowed to build up that more than 80 per cent of the cost of PWAF is self-financing, partly through lower inventory costs.

"We did one study at a plant and found that only 5 per cent of material there was having value added to it at any one time. The rest was just waiting for something to happen," says John Winters, of the diesel engine division.

Since 1983, the total value of inventory held by the company has dropped from $2.3bn to $1.3bn and the target is to cut the latter figure by half.

The cost reductions achieved through PWAF projects, many of which involve the installation of flexible machine tool cells and lines, are expected to average 24 per cent with an average return on investment of around 30 per cent. About a quarter of them have been completed so far.

New space-saving production equipment is also contributing to tool standardisation across Cat. In 1986 the company used 125,000 different tools in manufacturing. The figure is now at 73,000 and still coming down. For example, the number of cutting drills has fallen from 4,600 to 1,000.

Tool standardisation has encouraged the company to reduce drill suppliers from 24 to three, and drill purchasing costs at a typical plant have dropped by 40 per cent.

Cat says PWAF will reduce manufacturing costs by 15 to 20 per cent from 1985 levels and that the time from ordering to final completion of some products will be reduced dramatically, from 90 days to six.

Manufacturing space has been reduced from 4.2m sq metres and is expected to be down to 3m by 1992. The company says annual cost savings from this type of consolidation will be about $197m a year before tax.

Most of this has been achieved through rationalisation and reorganisation, but the company is buying in an increasing number of components. This has been a steady development since the 1960s, when Cat even manufactured the pistons for its diesel engines, but the trend has accelerated.

"We want to do the things we do well and work with other companies which can manufacture components cheaper or better than we can," says Winters. "You can overdo in-house manufacturing."

However, PWAF has not quite gone to plan. The main phases are due to be completed by 1991-2, but it is running a year behind schedule.

Cat has also backed away, at least temporarily, from its original plan to introduce fully computer integrated manufacturing systems. It has instead adopted proven machinery and information systems which are advanced but do not break technological ground.

"We thought we would have four levels of linked information systems right up to the top. Maybe that is a vision that we can get to in the year 2000, but now we think that islands of information are okay," says Winters. "I think we have profited from other people's mistakes. General Motors tried to do too many things at once. You cannot do that. You have to evolve to it."

WORTH WATCHING
Edited by Geoffrey Charlish

Flat TV screen starts to grow

TOSHIBA, the Japanese electronics group, has begun mass producing four-inch, full colour, flat television screens using liquid crystal display (LCD) technology.

Television sets with three-inch flat screens are already on sale in Japan, but increasing the size of the device is more difficult than it was with cathode ray tubes in the early days of colour sets.

Since there is no electron beam to sweep effortlessly across the inside face of the tube to activate each picture element (pixel), the many thousands of pixels have to be addressed from the edges of the flat plate. Keeping the cost of this down while improving picture clarity (which calls for more pixels) has been the preoccupation of the designers.

Toshiba has shifted some of the pixel switching to the picture area by using a tiny, thin-film transistor for each pixel. Such displays have improved clarity and contrast compared with types switched entirely from the edges.

The display, LZ-400D, is equipped with a bright backlight and can be viewed, it is claimed, even in sunny conditions. Only an inch thick, it can be tilted to any position from horizontal to vertical to suit viewers.

The display also has a relatively low power consumption, so that it can run for acceptable periods from quite small batteries and can be used almost anywhere.

Opening networks to the little guys

UK ACCOUNTANTS and management consultants Coopers & Lybrand believe that trouble may be brewing in the electronic data interchange (EDI) industry.

EDI often takes place over "value added" data communications networks set up by specialist companies to offer services to groups within industry. This relieves the user groups of network management and similar problems and offers a service that suits their activity.

There are now several extensive networks in place but, according to Coopers, their inability to "talk" to each other is increasingly worrying to user companies, particularly small ones. Large companies, it seems, may use such networks to lock smaller partners (suppliers for example) into their sphere of influence. In addition, Coopers thinks the lack of communications "gateways" between networks could slow the growth of the industry.

These are some of the conclusions of a report prepared by Coopers for the UK Department of Trade and Industry and published by the Stationery Office. Entitled Value Added and Data Services Interworking Study, the report observes that companies subscribing to different EDI networks cannot send documents to one another. Small companies that cannot afford to subscribe to more than one network may be locked out of business with important customers.

The answer, says the report, lies in co-operation between competing suppliers of network services by setting up communications "gateways" between their networks.

There is no insuperable technical barrier to doing this, says Coopers, but there are obvious commercial considerations and, as yet, most suppliers have taken no action.

Belgium lines up telephone initiative

THE BELGIAN telephone administration has switched on the 100th Alcatel System 12 exchange, bringing the level of digitisation in the country's telephone system to 18 per cent.

The work is being shared by Alcatel Bell Telephone (previously an ITT unit) and Atea-Siemens, a Belgian subsidiary of the West German Siemens group.

Digital public exchanges are a pre-requisite of ISDN (integrated services digital networks). These are planned by most European countries to enable subscribers to exchange data and pictures as easily as speech signals.

The Belgian telephone authority is implementing an ISDN pilot project in which selected subscribers will be able to familiarise themselves with the new possibilities.

CONTACTS: Toshiba: Japan, 457 2104. Alcatel: Belgium, 3 237 1717. Coopers & Lybrand: London, 583 5000.

ARTS

Fitzwilliam Museum, Cambridge/Susan Moore

Put back on a pedestal

The critical fortune of Baccio Bandinelli is as serpentine as the Loch Ness Monster. The cinquecento sculptor-draughtsman was vilified by his contemporaries, but esteemed by the theorists and collectors of the 17th century. His reputation as a sculptor rose with the tide of Neo-Classicism to its zenith in the early 19th century, only to sink virtually without trace after Berenson's damning dismissal of 1903.

Berenson's venom proved potent, for modern scholarship has tended to bypass the artist. (To Cicognara, writing in 1824, he was the second greatest sculptor of the Renaissance, surpassed only by Michelangelo.) Roger Ward's current exhibition of Baccio Bandinelli drawings at the Fitzwilliam in Cambridge (until July 3, sponsored by Sotheby's) is the first show ever devoted to the artist.

Unusually for a Renaissance sculptor, Baccio Bandinelli was a prolific draughtsman who founded his own drawing academy. Shortly before his death in 1560, he declared: "All my concentration was fixed on drawing: in the judgment of Michelangelo and our Princes and other notables, it is above all in that activity that I have prevailed." It was a claim that even his many enemies were happy to acknowledge.

Vasari, a former pupil but no personal friend, claimed he deserved "honour, praise and eternal fame." Clouding his chances of achieving the latter are the hundreds of lesser drawings falsely attributed to him over the centuries.

By bringing together a corpus of surviving autograph drawings (now thought to number around 450), plus drawings by artists who influenced him or were influenced by him, the exhibition provides scholars and students with an unadulterated view of the artist. Despite its restriction to works in British collections, the selection is remarkably representative.

The show begins with sheets by Leonardo, Michelangelo, Raphael and Andrea del Sarto – how can any exhibition fail with such a preface? It was Leonardo, according to Vasari, who directed the artist to the works of antiquity, and those of the quattrocento masters Verrocchio and Donatello (surprisingly, less than 10 of his drawings after the Antique survive). The Leonardo drawing here, significantly a pagan subject, Leda and the Swan, also possibly directly influenced the precise red chalk drawing of his smiling, long-necked wife – and a notable, if slightly idealised profile head.

The tightness and anatomical awkwardness of his early chalk drawings was not to last. Some of the most appealing works on show are chalk studies of variously posed *garzoni* or studio models. The artist's black-chalk self-portrait, with its ferociously set jaw and forthright stare, accords with his reputed difficult personality.

Pen and ink drawings, such as that for his most famous – or infamous – sculpture, the colossal Hercules and Cacus outside the Palazzo Vecchio in Florence, build on such *garzone* studies, the precise depth of various panes delineated by regularly spaced hatched lines. Equally grandiose were his projects for the tomb of Henry VIII of England incorporating no less than 142 life-size figures, or for the triumphal arch in honour of Pope Clement VII, the artist's greatest patron.

The compositional sketches reveal an eclectic mixture of artistic references, but also, by their invention, that the sculptor was more than a scissors-and-paste copyist.

In three late *modelli* for the unrealised Genesis reliefs for S. Maria del Fiore, his drawings find their greatest breadth and urgency. The figures in "The Drunkenness of Noah" and "Abraham and Sarah Visited by Three Angels" emerge out of their unusually dark backgrounds like reliefs, created by woven webs of dense hatching and cross hatching, or ribbons of tiny pen strokes.

Their extraordinary, powerful effect is quite different from the most highly wrought presentation modello on show, a tour-de-force related to Michelangelo's "David" which appeared to secure the Andrea Doria commission in 1528. Here, the figure, the admiral in the guise of Neptune, is modelled by subtle tonal gradations of finely hatched line.

"Hercules standing with a club" by Baccio Bandinelli

Julius Caesar/Barbican

Michael Coveney

Last year's fitfully spectacular and finally disappointing Stratford-upon-Avon *Julius Caesar* arrives at the Barbican in a state of slightly improved coherence. Gone are the execrable tape-recorded chantings during Mark Antony's funeral oration, and whereas the Stratford Rome of high brick walls and brutal dead ends suggested that events were taking place in an underground car park, Barbican Rome is a more sombre, sinister place of charred streets and monuments rife with vicious storms and stabbing.

Farrah's black brick box set, Alexander Reid's glistening white togas and the actors' conspiratorial bloody rituals support the contention that director Terry Hands was not really straying all that far off his usual style in the unlamented *débâcle* of *Carrie*. Indeed, when Janet Amsbury's Portia makes proof of her constancy by referring to the voluntary wound in her thigh, she produces a bloody hand from beneath her dress that is suggestive of both murder and menstruation.

Bloody Hands all round. The play is produced in bleeding chunks, much of it drowned in the Guy Woolfenden reports of trumpeted anthems, around a central performance that remains the best reason for seeing it. Roger Allam's notably well-spoken and dreamily inflected Brutus has deepened in its range and intimations of terror since last April. The idea of murder as a more cowardly variation of suicide is undoubtedly reinforced by playing the piece, as here, without an interval. The news of Portia's death by swallowing fire galvanises this Brutus in the tent at Sardis, and the inevitability of destiny and self-destruction converts Mr Allam from reluctant liberator to his own metaphysical hostage.

This gulf in temperament, rather than difference in policy, is what divides him from Sean Baker's wolfish Cassius, a short-term plotter whose jerky, boney eccentricity acts like a lightning conductor to the assassination surge. Joseph O'Conor's blandly avuncular Caesar is a far cry indeed from David Waller's despotic stuck fat pig of last season, but he still manages to lead the Ides of March walk-down at the Capitol looking as lost as Len Carlou in search of a musical production. These must be the dictatorial Sieg Heil Follies.

I would like to have seen Nicholas Farrell's Antony without the crass sonic interventions. Louis Roache is adequate but uninteresting in his stead, venting more private grief than public anger over the *catafalque*, when something of both is required. There is a lot of colourless support in the ranks, but there are memorable sequences of dead march, dignified toppling and entrail-skewering, all lit by the director's fair but starkly pin-pointing Hands, as if the Theatre of Rock in the mid 1970s had never gone away. A case, I suppose, of *Carrie* on regardless.

How the Other Half Loves/Duke of York's

Martin Hoyle

Alan Strachan's production of Alan Ayckbourn's 1969 success, unseen in the West End since then, was welcomed by Michael Coveney at Greenwich earlier this year. *Much of it is vintage stuff*: Ayckbourn's acrobatic stage arabesques, agonising in their embarrassment, on social awkwardness, cross-purposes, and casual brutality in the sex war – all presented with a breathlessly audacious technical sleight-of-hand that few authors would conceive, let alone bring off so triumphantly.

The innovation lies in portraying two households linked by furtive adultery simultaneously on stage. Michael Pavelka's set combines the squalour of the Guardian-reading Phillips household with the opulence of the executive-class Fosters. We meet both families getting up in the morning, the actors interweaving, the guilty pair separated by inches as they communicate in urgently furtive phone calls from the same table. The method reaches its apogee when dinner parties on two consecutive nights are superimposed, with the common factor, the wretched Featherstones (unwittingly implicated in the fornicators' alibi), literally swivelling in their chairs between times and places.

These stooges (and he has a very Ayckbournian streak of bullying nastiness) are beautifully played by the incomparable Lavinia Bertram (mousily dowdy) and Richard Kane, a frantic social climber rounding his diphthongs into tortuous gentility.

Mr Strachan's production is foursquare when it should be glancing, emphatic when it should be casual, but is often very funny in its broad style, distracting period pop-music scene-links apart. Well-meaning blunderer Frank, a *mari coco* who impales himself on the wrong end of every imaginable stick, is after all a broadly-written role. Christopher Benjamin starts a trifle heavily, but bulldozes through with touching conviction and consistency. Gabrielle Drake drawls nasally through the infinite complications of suburban infidelity in a Barbie-doll wig. Stuart Organ and Louisa Rix need a lighter touch as the youngest couple; but Ayckbourn fans will be delighted. A happy return.

The Makropoulos Case/Munich

Andrew Clark

Hildegard Behrens may not be a star in the Hollywood mould, but her appearance as Emilia Marty in the new Munich production of *The Makropoulos Case* has plenty of echoes from the golden screen. She is seen on stage in a succession of expensive and not always flattering outfits which make her look as unattainable and unreal as the early screen goddesses. Like a Hitchcock movie, the production places her in a secure, realistic setting which is gradually disturbed by the unusual turn of events. And in common with an increasing number of successful Hollywood women, Behrens has brought her husband in on the act: Seth Schneidman, the American film director, is responsible for the staging.

If all post-war dramatic sopranos of Behrens' calibre had taken on this fascinating role, the originality and appeal of *The Makropoulos Case* might be more widely recognised. So it is a tribute to Behrens' questing artistic spirit that she has enabled the Bavarian State Opera to mount its first production of the piece.

It is also a sign of her fallible judgment that she should continue to believe Schneidman can bring the best out in her. The staging may be greatly superior to Schneidman's first, flawed operatic attempts with *Salome* and *Elektra* in Bonn and Paris, but it underlines that for all her unique gifts, Behrens still needs a strong independent director.

In the first two acts, the production came alive only in the wealth of finally realised musical and visual detail around her. There were glimpses of the grand dame under the 1920s fur stole and veiled hat in Act 1, and of the prima donna holding court from an immense operatic throne in the backstage of Act 2; but Behrens sat passive and immobile throughout, as if Emilia's coldness and callous indifference had no better means of expression. In the final act, her characterisation was weakened by an alcoholic bout of bottle-swigging as soon as the accusers closed in. This was all just a bit too bland and unpointed.

And then came her reappearance for the final scene, a kind of Lebenstode in which the stage was suddenly divested of its naturalistic trappings, and a transfigured Behrens advanced centre-stage on a floor of dry ice for Emilia's ethereal apotheosis.

Quite apart from its overwhelming effect as a *coup de theatre*, the scene captured all of Behrens' concentrated histrionic gifts and made the best of the tender, tremulous upper reaches of her voice.

In all other respects, John Conklin's realistic, stageworthy sets proved an uncommonly faithful reflection of the 1920s setting that Janacek wanted; they also presented a visual feast of period style for the audience, right down to the kind of art deco designs that still grace the interiors of many of Prague's best preserved public buildings.

The supporting cast could scarcely be bettered: Kenneth Riegel as the wimpish Gregor, Günter Reich as the rich aristocratic Prus, Claes Ahnsjö in a brilliant gaga cameo as Hauk, Alfred Kuhn as the pedantic lawyer Kolenaty and Astrid Varnay as the Chambermaid – all vividly drawn and well contrasted portrayals.

The precise, dynamic and finally sprung orchestral contribution under Peter Schneider was no less impressive for the way it revelled in Janacek's excited rhythmic figures and singing string lines: for a conservative house which has gone without Janacek for more than a decade, Munich could not wish for a more attractive re-entry for his astonishing operatic world.

Award for Fischer-Dieskau

The 1988 Royal Philharmonic Society Gold Medal has been awarded to the German baritone Dietrich Fischer-Dieskau. It will be presented by Sir Yehudi Menuhin at a gala concert in London on October 18.

Philharmonia/Festival Hall

David Murray

On Tuesday it was the Philharmonia's turn to play host to Kurt Sanderling as guest conductor. There was a particular point in that: Shostakovich's last symphony, the Fifteenth, is so enigmatic – or perhaps just baffling – as to defeat any confident reading, and yet the very least that it requires is a conductor with a strong, certain hand. Sanderling has also a long Russian experience to draw upon: almost twenty years of his midcareer were spent with the Leningrad Philharmonic. One wouldn't pretend that he rendered the sense of the symphony suddenly transparent, but he set out the available evidence with extreme clarity. Until someone unearths a Shostakovich document that "explains" the music as Alban Berg's private notations have "explained" his Lyric Suite, we are not likely to do better.

The primary impression that the Fifteenth makes is of *dissociation*. It is highly sectional and various, even fragmented; nothing much like symphonic argument is ever felt, nor even a dramatic thrust that might do duty for it, though some high drama erupts once or twice. Among several musical quotations, the galloping tune from the *William Tell* Overture breaks repeatedly into the first movement without any obvious irony, and the "Fate" cadence from Wagner's *Ring* opens the Finale without any functional development. For much of the time most of the large orchestra is idle, while a few instruments sketch music that is not merely bleak but apparently numb. Even the Scherzo goes through its motions as if anaesthetised.

Sanderling set all this in relief with one great outburst late in the Finale, where Shostakovich hurls us abruptly into a cruel, shrieking Russian winter. The rest was measured and nervelessly calm, exposing the bizarreness of the whole construction but adding no emphases. The *sense of things falling apart* without hope of restoration was uncomfortably strong. Presumably it was Sanderling's choice to have the bell-punctuation for the opening flute solo played with a soft hammer, so as to avoid any deceptive hint of sprightliness.

Earlier we heard Mozart's C minor piano concerto, K. 491, delivered seriously and plainly by Howard Shelley. He pitched his keyboard-address somewhere between period-imitation restraint and the natural clangy forwardness of his modern instrument – which is to say, nowhere in particular: the sound was unappetising. (A much cleaner, crisper left hand in the Finale would have helped.) Sanderling's suave orchestral exposition suggested a prior agreement that this wasn't to be a *Sturm und Drang* reading; nor, as it transpired, was it any other particular kind of reading, unless "poor but honest" counts.

George Michael/Earls Court

Antony Thorncroft

George Michael has quickly acquired the trappings of an international superstar. The tickets for his Earls Court concerts peremptorily ordered the audience to be seated by eight, at which time Mr Michael was doubtless still trimming his designer stubble in his north London hideaway. It took another ninety minutes for mighty organ chords and piercing laser beams to herald the imminent arrival of The Man.

When the light show finally exhausted itself a large white cage was revealed, encasing the band. The front bars slowly lifted up and out poured George, like a hamster enjoying his nightly exercise. He launched, without a blush, into "I want your sex," showing off all those provocative poses he has practiced for years in front of his bathroom mirror. Sex with George is obviously an exhausting business, with many twists, and twirls, much stomping and sudden dashes in all directions. The audience loved it.

But then the girls loved it all. These days stars order their fans to scream, and did they scream as George slowly put on his dark glasses to sing "Faith," or rather to orchestrate the masses into singing "Faith," which they did shambolically.

There were, for such a packaged show, rather too many uncomfortable moments, not least when George suddenly disappeared for a long stretch. He came back with the ideal excuse for a resounding cheer – his trousers had split. To get the most from the evening you need to enjoy the sight of a handsome young man, dressed like an Ibiza gigolo, chatting up the girls. The music was fitful.

I missed the early Wham songs. When George tried one, like "I'm your man," the applause said his fans missed them too. I'm also getting bored with George's morbid fascination with bass players – he chases Deon Estus around the stage with the same gleam in his eye he reserved for Andrew Ridgely in the days when the two lads looked as if they were actually enjoying it all. Oddly enough the slower numbers came out best, notably "Hand to mouth," which suggested that the Michael voice, for all the horror stories about its durability, is in fine shape.

In the beginning there was a fresh crassness about Wham. Now George Michael looks as if he is chasing Prince who is chasing Michael Jackson up some mythical gold mountain. The mechanically suggestive gestures; the bland sentiments in the songs; the flashy stadia presentations, all dry ice and mega light shows, might add spectacle to dull lives but they are a long way from music.

Siegfried Jerusalem/Wigmore Hall

Richard Fairman

Recitals of German Lieder by Siegfried Jerusalem at the Wigmore Hall seem to have become an annual event. Quite why this should be so when the great Wagnerian tenor roles for which he is renowned have yet to be heard in London is difficult to fathom, and on the evidence of this dispiriting recital might well be counted a total mystery.

On previous form one feels that Jerusalem wants to be taken seriously as a recitalist. He picks the deepest and most heartfelt songs (Beethoven, Schubert and Schumann in this programme) and approaches them in a duly reverential way.

But the effect was quite spoiled on Tuesday by what was clearly insufficient preparation. In each item singer and pianist seemed to be reading the notes, not without signs of surprise, as they went along.

Jerusalem is not a natural Lieder singer at the best of times, for the size of the voice militates against the sort of detailed perceptions that the art form requires. But on this occasion only the most operatic pieces survived: "Der Atlas" from Schubert's *Schwanengesang* was probably the most impressive of the evening with its last lines ringing out in the grandest Heldentenor fashion (though even here the last phrase was broken in three for easy breathing).

After the interval the performance of Schumann's *Dichterliebe* was depressing without compensation. The songs were taken in an almost uniformly slow and ponderous manner, and the laboured feel of the whole thing was greatly underlined by the accompanist Siegfried Mauser, whose habit of pouncing heavily down upon the keys would only have been a little more acceptable if he had hit the right notes more often.

Although the flashes of its glory at this recital were few and far between, this is the most beautiful Wagnerian tenor voice of a generation and it deserves to be heard in London in its finest apparel. Lohengrin and Parsifal, Siegmund (and even Siegfried) beckon.

Separate grants for the Royal Opera and Ballet

The Arts Council is to give separate grants next year to the opera and ballet companies at the Royal Opera House in Covent Garden. Jeremy Isaacs, the ROH's general-director designate, explained the move yesterday as "making explicit the present procedures."

Out of the £14.2m grant to the ROH next year, the Royal Opera will receive £6.3m; the Royal Ballet £5.2m; and the Sadler's Wells Royal Ballet will get £2.7m.

Isaacs announced the changed system at the same time as outlining the artistic plans for the two ballet companies next season. Leading the way for the Royal Ballet will be a new production by Sir Kenneth MacMillan of the *Prince of the Pagodas*, which was last performed by the company in 1960. Darcey Bussell, a 19-year-old dancer who joined SWRB last year, is to move to the Royal Ballet to take the leading role of Belle Rose.

In a bid to improve standards, the teaching and administrative staff of the Royal Ballet is to be strengthened, including occasional teaching from Dame Margot Fonteyn. The company will also be given the opportunity to have longer periods of continuous performance at the ROH, instead of alternating with the Royal Opera.

Extra dancers are being added to the complements of both the Royal Ballet and the SWRB to help develop educational work in schools.

A decision on whether or not SWRB should move its permanent base to the Birmingham Hippodrome will be taken before the end of the year, after a consultant's report on the idea has been produced and discussed.

David Churchill

Arts Guide

June 10-16

EXHIBITIONS

LONDON

The Royal Academy. Cezanne – The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century. Although he came to greatness in his middle and later years, his early period, far from being inconsiderable as had been generally supposed, is now revealed in all its complexity and contradictory quality. Ends August 21.

The Royal Academy Summer Exhibition. The 220th Summer Exhibition. Still the largest open exhibition of current painting, sculpture, prints and architecture in the world. The show is a little smaller than usual, but as dense and bizarre as ever, with as many good things to be discovered. Daily until August 7.

Barbican Art Gallery. Art or Nature. A thorough survey of French photography in the 20th century, as part of the "Images de France" Festival. The exhibition is especially strong on the great individual photographers of the period, such as Kertesz, Cartier-Bresson, Brassai and Atget. End July 17.

The Hayward Gallery (two exhibitions). Angry Penguins is a fascinating study of the group of young painters active in Melbourne during and just after the Second World War. Also: Paintings from the Phillips Collection in Washington. An enthralling selection from one of the great private collections of modern times. Its scope extends from the 16th century to the present day, but its great strength is in Impressionism and Post-Impressionism – Renoir and Cezanne, Braque and Picasso, Bonnard and Matisse. Both shows until August 14.

British Museum. Ukiyoe – Images of Unknown Japan. This large exhibition, of exquisite quality, brings to us, through the work of the greatest masters of the wood-block print, the magical "Floating World" of pleasure and the senses that was the city of Edo (modern Tokyo) in the time of the Shoguns – from the 1600s until the 1860s, when Japan was closed to the outside world. Until August 14.

National Portrait Gallery. Paolozzi Portraits. A small but intriguing show of a body of recent work on a subject that has fascinated the Scottish sculptor, Eduardo Paolozzi, throughout his long international career. Of particular interest are the self-portraits, and the several working studies of the architect, Richard Rogers. Until August 7.

NETHERLANDS

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of cultural history. Ends August 21.

Amsterdam, Rijksmuseum. Two hundred of the printroom's finest 15th and 16th century ornamental prints, with designs for jewellery, weapons and furniture. Ends June 19.

Amsterdam, Rijksmuseum (rear entrance). Divine Bronzes (some no more than 5cm high) illustrate the stylistic development of Indo-Javanese religious images from the 7th to the 18th centures and their role in transmitting culture from India and South-East Asia to Indonesia. Ends July 31.

PARIS

Galérie Schmit. French masters of the 19th and 20th century. The discreetly luxurious three-storey gallery plays host, yet again, to an exhibition spanning a period rich with creativity and diversity. 396, Rue Saint-Honoré (42.60.36.36). Closed Sundays and lunchtime. Ends July 16.

Pavillon Des Arts. The magnificence of silversmiths' work in India during the reign of the Moghuls testifies to their love of luxury. Everyday utensils like scissors, knives, betel nut and cosmetics boxes are chiselled and adorned with filigree open-work as richly as ceremonial objects and armour. 101, Rue Rambuteau (42.33.82.50) Closed Mondays and holidays. Ends July 17.

Galerie Odermatt-Cazeau. Guillaumin's deep blue of the Mediterranean, framed by green pine trees and orange earth, entices the passer-by into an eclectic exhibition of some 50 works by the masters of the 19th and 20th century. 85 Bis, Rue Faubourg Saint-Honoré. (42.66.92.58) Ends July 30.

VIENNA

Rathaus. Wien 1938. Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938. A large and courageous exhibition which shows how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish culture. Ends June 30.

ITALY

Venice, Palazzo Grassi. The Phoenicians, the fourth major exhibition at Fiat's imposing arts' centre on the Grand Canal attempts to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. Many of the 1,200 objects displayed are extraordinarily beautiful, and the 750-page catalogue, published by Bompiani, is excellent. Until Nov 6.

Venice, Fondazione Cini. Paolo Veronese, an intelligently presented exhibition to mark the fourth centenary of his death, two-thirds of which is devoted to his preparatory studies for his major works in Venice. The last few rooms contain 22 paintings, including several masterpieces lent by American and European Museums. Isola di S. Giorgio. Until July 10.

Rome, Museo Del Folklore. Goethe in Italy. The exhibition includes a mixed collection of objects connected with Goethe's two visits to Italy (1786-1788 and 1790) and gives a vivid idea of the essential equipment for a late 18th century traveller in southern Europe. Piazza S. Egidio. Ends July 3.

WEST GERMANY

Cologne, Romisch-Germanisches Museum. Caesar's Glass, the most important display of Roman glass ever staged. It covers the period from Caesar to Justinian, from the first century BC to the 6th century AD. The 162 pieces are mainly goods from everyday life. The exhibition is sponsored by Olivetti and runs until August 28.

Darmstadt, Mathildenhohe. That's Jazz – the sound of the 20th century. Darmstadt presents hundreds of pictures, posters and documents from the history of jazz and its roots in slavery. The exhibition includes a reconstruction of a New Orleans Salon, a studio from Chicago in the 1920s as well as an illegal Berlin Studio from the Nazi period when jazz was banned. There are about two concerts a week in a special room with 350 seats.

UNITED STATES

New York, American Craft Museum. An ambitious show that traces the history of American architecture back to the turn of the century and emphasizes the work of artists like Tiffany, Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Chicago, Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

Washington, National Gallery. More than 60 masterworks from superb 16th-18th century collection of Munich's Alte Pinakothek include paintings by Rubens, Rembrandt, Titian, El Greco and Van Dyck. Ends Sept 5.

TOKYO

Japan Folkcraft Museum. Komaba: Prints by Munakata Shiko and Pottery by Kawai Kanjiro, a special exhibition commemorating the centenary of the birth of the founder of the Japanese folkcraft movement, Soetsu Yanagi. Includes works by the movement's two leading practitioners, Kanjiro Kawai and Shiko Munakata. This superb collection of crafts from all over Japan is housed in the replica of an old farmhouse building which accords perfectly with the unself-conscious beauty of the objects. Nihon Mingeikan, Closed Mondays. Ends June 26.

Goto Museum. Chinese ceramics from the Goto collection. This is one of Tokyo's best small museums, housing an excellent collection amassed by railway tycoon, Goto Keika. There is also a pretty, unkempt garden. Closed Mondays. Ends June 28.

SWITZERLAND

Martigny, Fondation Giannadda. From Raphael to Corot. The masterpieces on loan from Sao Paulo's Museum of Art cover a greater stretch of European art than the title suggests. Beginning with a 13th century hieratic Madonna, they continue with Jerome Bosch's obsessive fantasies of Saint Anthony's temptation. There is a moving self-portrait by Rembrandt and a *portrait of a Cardinal in his red robes* by Goya. There is a Chardin and a Fragonard, while the fashionable chronicler of the Belle Epoque Giovanni Boldini, closes the exhibition. (026) 22978. Open all day. Ends June 26

Saleroom/Antony Thorncroft

Clore sells Impressionists

The Impressionist sales in London later this month are shaping up to be the best for many years. Yesterday Christie's announced that it was adding twelve more paintings to its auction on the evening of June 27. They come from the collection of Mr Alan Clore, the majority of which were acquired by his father, the property tycoon Sir Charles Clore, in the 1960's.

The collection should raise more than £10m, with a pretty Renoir portrait, "Femme au chien noir," expected to sell for up to £3m: in 1875 it sold for 61 francs after the failure of the first Impressionist Exhibition. A good Monet of a sunlit river landscape should approach £2.5m; and there are important works by Chagall, "Paris, la grand roue," and a Manet pastel on paper of a woman in a garden, which Gauguin bought for 500 francs in 1880 and which is now valued at over £1m.

Meanwhile on Tuesday evening in London Christie's disposed of the personal collection of English pottery, amassed by the New York dealer Price Glover over the past thirty years, for £200,783 with 23 per cent unsold. This was slightly below expectations, reflecting the calm that has fallen on this market after the recent International Ceramics Fair. Obviously dealers did not sell out so well that they need desperately to re-stock.

The London dealer Allistair Sampson continues to be a major prop for the market in early English ceramics. He paid £15,400, near the bottom of the estimate, for a London delft plaque of Queen Anne, dated 1704, which sold for £1,000 at Sotheby's twenty years ago, and £9,900 for a pair of Staffordshire creamware figures of cattle, Whieldon type.

A pair of Staffordshire saltglaze white figures of Lohans, after Fujian originals, with some repairs, were a disappointment at £15,400 while a London delft blue and white armorial plate with the arms of the Clothworkers Company, dated 1701, did well at £10,450. Another London dealer, Jonathan Horne, acquired a Staffordshire saltglaze white teapot and cover in the form of a camel for £7,700.

In New York on Tuesday Christie's started to sell off some of the sunken treasure reclaimed from the Spanish galleons, the Atocha and the Santa Margarita, which were wrecked off the Florida Keys in 1622. Mel Fisher has been conducting a multi million dollar retrieval expedition on the ships for over twenty years. Now his investors are attempting to recover some of their expenses.

A Renaissance gold chain from the Santa Margarita sold for \$319,000 (£172,432) while a gold two handled cup, from another wreck, made \$275,000 (£148,648) to the London dealer S.J.Phillips. All told the first day brought in \$2,588,443, which was rather disappointing. Almost a third of the 200 plus lots failed to find buyers.

FINANCIAL TIMES

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Topping up the NHS

IN A FREE market, some people would spend heavily on health care and some would spend the minimum. The differences in expenditure would reflect differences in wealth, health needs and risk-aversion. One of the main criticisms of the National Health Service is that it lacks the flexibility to respond to these individual consumption preferences. Doctors assess needs according to their own criteria and ration resources. Everybody is treated as though he or she places the same importance on health care.

Mr John Moore, the Social Services Secretary, sees these and other arguments as justifying measures to boost private health care. He has pointed out on many occasions that private medicine plays a smaller role in Britain than in other leading industrialised countries. Two main ways of encouraging private insurance have been advocated: tax incentives and provisions to allow people to "opt out" of the National Health Service. Both policies, however, have severe drawbacks.

In the first place, they involve heavy "deadweight" costs. Vouchers for those who renounce their rights to certain NHS treatments and tax relief for insurance premiums might encourage higher private spending on health care. But it is unlikely that the extra resources thus mobilised would exceed the cost to the Exchequer of the unnecessary subsidies that would have to be extended to the six million or so people who *already* possess private insurance. Indeed, plausible calculations suggest that a 50 per cent increase in the coverage of private health care would be necessary for the gain from higher private spending to exceed the cost of the subsidies.

Level field

It is not surprising therefore that the Treasury has opposed Mr Moore's plea for sweeping tax concessions. Apart from cost considerations, such subsidies would run counter to the broad thrust of fiscal policy, which has been to eliminate special reliefs and create a more level playing field. The compromise reportedly struck is to restrict tax relief for health insurance to old age pensioners, which would cost only around £25m in the first year. This is easier to justify than subsidies for everybody, but arguably is still undesirable.

Private insurance covers a limited list of routine operations, not the chronic and long-term illnesses that afflict the old, who are easily the NHS's biggest client group. The majority of pensioners would gain more from improved NHS services than from tax concessions for insurance services designed for healthy young executives.

The opting out proposals are flawed in other ways. Identification cards or some other bureaucratic mechanism would be necessary to ensure that those who opt out do not continue to make use of free NHS services. The economic viability of the state service might also be progressively undermined because the young and healthy would be the first to leave. Those who make the biggest demands on NHS are typically those who make the smallest tax contribution.

Range of options

So how can the circle be squared? How can the Government make allowance for different health care preferences without undermining the NHS? The obvious answer is to moderate the egalitarianism of the NHS and broaden the range of options it offers. Instead of encouraging opting out, the Government could encourage "topping up." The NHS should be allowed to offer a much wider range of extra services in return for extra payments. People frequently go to the private sector not because the clinical treatment is more expert but because the non-clinical services are so much more appealing.

There is no reason why NHS hospitals should not, as a matter of course, provide colour TV, good food, privacy and other amenities for those who wish to pay. The commitment to equality of medical treatment need not have any implications for non-clinical services. More controversially, in the case of non-urgent surgery, those prepared to pay extra should perhaps have access to earlier treatment. The NHS cannot remain an oasis of absolute equality in a manifestly unequal world. It is surely premature to subsidise alternatives when so little effort has been made to attune the NHS to the needs of a consumerist society.

Bumpy road out of Afghanistan

THE SOVIET withdrawal from Afghanistan is in serious trouble just one month after it began. It was never going to be easy and problems were virtually ensured by the way in which the United Nations negotiators in Geneva allowed both superpowers to compromise some important principles, particularly those concerning the rearming of the protagonists, in order to secure signatures on the withdrawal accords.

However, there are still grounds for hope that the Soviet forces will leave quickly and that the Afghans will be left alone to work out their own political future. This requires the US, Pakistan and the Soviet Union to become less aggressive in their attempts to influence daily events within Afghanistan now in the hope of influencing the political outcome.

The grounds for optimism include the continuing desire of Mr Mikhail Gorbachev, the Soviet leader, to extricate the Soviet Union from regional conflicts; the mujahideen resistance groups' fierce rejection of a US and Pakistani strategy which would have caused further civilian bloodshed in premature attempts to take and hold key towns; the successful rotation this week of leadership of the resistance alliance from one of the least to one of the most reasonable figures; and an impending reshuffle of the UN team responsible for Afghanistan.

Peace hopes

The Soviet pull-out of 115,000 troops began on May 15 more than eight years after the occupation began and more than six years after the UN started trying to negotiate a withdrawal. The Soviet Union is committed to withdrawing 50 per cent of its troops by August 15 and the rest by next February. It had hoped to have a quarter out by the end of last month in time for the superpower summit in Moscow. But the withdrawal has gone much slower than they hoped, with only around 12,000 troops leaving so far.

Any idea that the Soviet withdrawal would bring early peace to a country which has lost more than 1m lives and seen nearly half its 15m population displaced by the war was quickly dispelled as the resistance and the Afghan army supporting President Najibullah's Soviet-backed regime continued to fight each other furiously – so much so that some Soviet troops have been redeployed back to evacuated towns such as Jalalabad.

The Soviet Union has lodged increasingly angry complaints that the US and Pakistan are violating the non-interference aspects of the Geneva accords almost daily by resupplying the mujahideen with masses of sophisticated weaponry. But Moscow know as well as the US that these aspects of the accords were rendered worthless when Mr Diego Cordovez, the UN negotiator, was snared by a private superpower agreement on "positive symmetry" under which each reserved the right to resupply its respective client within Afghanistan if the other did. The US immediately interpreted Soviet resupply to include equipment and vehicles left behind; the result has been continued rearming by both sides.

Anxious warnings

This was entirely predictable and indeed inevitable under the accords and understandings. There was no shortage of anxious warnings beforehand and Mr Javier Perez de Cuellar, the UN Secretary General, was among those alarmed at the way Mr Cordovez finally secured the Geneva agreements.

Ultimately, however the Soviet Union seems certain to continue its withdrawal, which remains the prime objective. Mr Cordovez, who has never enjoyed the confidence of the mujahideen, has resigned and is shortly to return to Ecuador to become Foreign Minister. This gives Mr Perez de Cuellar the opportunity to appoint a new team to try to bring the resistance into the political process. It seems that Mr Abdul Haq, an important Afghan resistance commander, may formally meet a member of Mr Perez de Cuellar's office in New York this week – which would be a significant step forward.

So, in spite of the setbacks, the situation is not all bleak and certainly not as dire as the Soviet Union is claiming. All parties could best serve the interests of the battered Afghan people, who deserve to have priority, by patient restraint at this delicate time.

Nick Garnett explains the fall of Aveling Barford and why the construction machinery company can expect to find a buyer

Down but not out

AVELING BARFORD, one of the great British names in construction machinery, gave a briefing at the Savoy Hotel, London in May last year to explain how it had got into trouble. The company had sold huge quantities of earth-moving equipment such as dump trucks and graders in the 1960s and 1970s. Now, however, it had stumbled into a quagmire. The message, at the Savoy a year ago, was that it knew how to dig itself out.

That effort failed – a failure signalled yesterday by the decision to call in the receiver. After a loss of £2m on sales of about £30m in 1986 and another loss last year, Aveling's bankers decided enough was enough.

Aveling's fall, after more than a 100 years of manufacturing history, is a classic example of how feeble investment and the failure to keep pace with tremendous shifts in product and marketing can overwhelm a business that once had all the skills to be a survivor. It is also the latest in a series of dramatic realignments within the British earth-moving machinery industry in which many companies have slipped and shrunk while a host of new and aggressive businesses have been forcing their way in.

Ransomes and Rapier and Ruston Bucyrus in drag lines; Hymac in excavators; Barber Green in asphalt pavers – all have declined. And two big US names, Caterpillar and Terex, are no longer the forces they used to be as manufacturers in the UK.

While this has been going on, acquisitive companies like the Brown Group, BM and DJB have been expanding rapidly. Japanese companies, led by Komatsu, have emerged on the UK manufacturing scene, using joint ventures and direct manufacturing. About 10 UK machinery companies have changed hands in the last two years alone.

Of the old order, only three – JC Bamford, the world's second largest manufacturer of backhoe loaders, the MF Industrial arm of the Canadian Varity group and the mobile crane maker Grove-Coles – have maintained their powerful positions.

Aveling's receivers yesterday told the workforce of 800 (down from close to 3,000 in the 1970s) that they wanted to sell the business as a going concern. It is virtually certain that it will find a buyer. A number of companies have already shown interest. Aveling has too many good things about it to be overlooked. Amongst others, a buyer from Japan (or Korea's Daewoo) might be interested.

Nevertheless the eclipse of Aveling Barford, no matter how temporary, is sad and instructive. It is the product of a merger in 1933 of two companies, one of which manufactured the world's first steam-powered road roller in 1867. Since then, it has endured many changes of fortune. But the rest of the industry attributes the start of its fall to the period when it was part of the former BL Special Products group in the 1970s.

BL played a hand in nearly wrecking many of the companies that fell into its grasp. "I think the whole situation stemmed back to British Leyland," says Mr David Phillips of the London-based Corporate Intelligence Group. "Aveling never recovered from that management – it was so chronically bad. Anyone would have succumbed and it is remarkable it kept on so long. No investment, uninterested management and a 'for sale' sign up for five years. It has been doing the right things recently but it was obviously too late."

The lack of direction at the top continued after 1983 when Aveling was sold to Mr K. T. Lee, a Singapore businessman working through a Hong Kong-based company, with a minority share held by Mr Adrien Eschallier, a US attorney-consultant. These two have owned the company since, and have said the right things but have not been seen regularly at the company's Grantham headquarters.

Instability at the top might not have mattered had it not been for the fact that the world construction market has been in convulsion since the turn of the decade. Aveling slept while this was going on and was gradually outsmarted by new products and sharper companies.

Aveling's strength has been in large rigid dump trucks, motor-graders used for grading road soil before tarring, wheeled loaders and fairly unsophisticated equipment for compacting surfaces. Its main sphere of influence has been the UK market and the old Commonwealth territories and it traditionally made its living off the really huge construction and road building projects that dominated the construction market in the 1970s.

But the world has changed dramatically since 1980. Overall demand slumped and the huge earth-moving schemes disappeared. Demand switched to smaller projects requiring more versatile equipment. Aveling lost out in three important product areas:

- The rigid dump truck has lost ground dramatically to the more manoeuvrable articulated vehicle, a product area Aveling has only just been moving into. At the same time, companies such as Caterpillar and Komatsu brought out high-speed, high-specification rigids which left some of Aveling's models looking outclassed. Meanwhile demand for graders – always vulnerable to volatile markets – slumped along with the big road projects.
- In compacting machinery, the traditional "deadweight" roller – Aveling's area of strength – has increasingly been replaced by rollers which vibrate. Aveling, sticking with deadweight machines, left the field open to specialised vibratory roller companies such as Dynapac of Sweden and West Germany's Bomag.
- Demand for wheeled loaders has risen markedly worldwide. But Aveling had given this low priority and its models were dated. "It is just another case of a famous name losing its way and not being in the product areas that have volume and are profitable," says one construction machinery company manager.

Aveling had similar problems in distribution. "They relied too much on historical markets," says Mr Phillips. "Nowhere in Europe have they established distribution systems for volume."

In the past year, some changes were starting to have an impact. Aveling recently signed a deal with Kawasaki of Japan to make that company's modern wheeled loaders under licence. It introduced an articulated dump truck last year and was about to tackle its other products. It was attempting to build a distribution network in Europe. And it had begun to penetrate the US market with a plan to sell a fifth of its output there.

The weakness of the dollar came at a bad time for this stratagem. Aveling also had trouble with a big Chinese contract which was delayed. Another round of losses last year, at a time when the UK market is buoyant, persuaded the bank to step in.

If Aveling is sold intact it will be yet another moving piece in the shake-up that is altering the face of the UK construction machinery industry. As part of this change, BM – led by Mr Roger Shute – has acquired Benford Concrete Machinery. It followed this with the acquisition of two companies owned by Northern Engineering Industries – Haulamatic and Ritemixer – and recently acquired the marketing and manufacturing rights of Barber Green from Aztec of the US.

Another acquirer is the Brown Group, based in North Yorkshire, producer of the Moxy dump truck. It has bought Hymac from BM, and acquired the Parker stone crushing machinery business in Leicester. It has signed manufacturing deals with Komatsu and TCM of Japan and intends to open a new manufacturing plant in South Yorkshire.

Meanwhile, Mr David Brown of DJB has expanded from his Artix manufacturing company in Peterlee, County Durham, which makes articulated dump trucks for Caterpillar. He has acquired the former Bedford truck business from General Motors, and is also producing a new range of all-wheel drive vehicles.

Britain has declined as a force in the European construction machinery industry. Two of the biggest blows were the closure of two of Caterpillar's factories. Birtley in the north-east was closed in 1982 – it was subsequently taken over by Komatsu to make hydraulic excavators. Caterpillar's Glasgow factory closed last year. (Cat still has a big operation at Leicester.)

Aveling is another unpleasant chapter in the story. But those companies that are expanding in the UK believe Britain still has a long and healthy future as a construction equipment maker. And receivers at Aveling already seem confident that this will be borne out by the sale of the business as a going concern.

THURSDAY BOOK REVIEW

The Predators' Ball: The Junk Bond Raiders and the Man who Stalked Them

By Connie Bruck
The American Lawyer/ Simon and Schuster; $19.95

I come in in the morning sometime between 4.30 and five. I generally write notes for the people in the department . . . I then direct administrative people to make phone calls for me and get people on the phone. Sometime around 10.45 and 11.15 they put some food on my desk which I eat in anywhere from one to five minutes. Sometime in the afternoon it's possible corporations would come in for meetings. When I'm exhausted, I go home and get ready for the next day.

THIS IS the authentic voice of Michael Milken, the most brilliant, controversial – and eeriest – financier of our age. He was speaking to the Securities and Exchange Commission back in 1982 but there is no reason to believe that today will begin or end any differently in Mr Milken's sealed trading room down at Wilshire and Rodeo in Beverly Hills. At times in the course of this spooky and riveting book, one senses the rituals of a California cult.

"Michael is the most important individual who has lived this century," one of his traders told Connie Bruck. Another went further: "Someone like Mike comes along once every 500 years."

Mike Milken is a vice-president in the Beverly Hills office of the Wall Street firm of Drexel Burnham Lambert. While a student at Berkeley in the late 1960s, he spent his time studying low quality corporate bonds. These bonds, now known as "junk," carry higher interest rates than the bonds of blue-chip companies to compensate for their higher risk of default. Mr Milkin found that a balanced portfolio of these bonds could minimise the default risk but still leave the higher return. He set about winning round professional investors to them.

In the process, he revolutionised corporate finance in the US, made Drexel Burnham the most feared firm on Wall Street and himself one of the world's richest men. Since 1986, when Ivan Boesky implicated him in various alleged schemes to conceal stock ownership, Mr Milken has been the target of the largest ever securities fraud investigation. The SEC says it has prepared civil charges against him.

Given this sort of material, Ms Bruck's book was bound to be controversial. Mr Fred Joseph, Drexel Burnham's chief executive, says it is riddled with hundreds of errors and accuses her of breaking a right-to-reply agreement. Ms Bruck, a reporter on the excellent magazine American Lawyer, counters by saying Mr Milken tried to pay her to stop publication.

For all the fuss Drexel Burnham is making, Ms Bruck presents no new evidence on the Boesky-related investigation. Her embarrassing charge that Drexel Burnham procured call-girls for the high-rolling takeover specialists at its 1985 junk bond conference (the "predators' ball" of the title) has been made before, even by such publications as Institutional Investor. What Ms Bruck does provide is a glimpse of Michael Milken's strange world which may very well be inaccurate but is far more believable than anything presented so far.

The firm and Mr Milken's hundreds of devoted followers contend that Mr Milken has opened up a pool of capital to the entrepreneurs who will make America great again. If he has financed hostile takeovers, it is to oust flaccid professional management in favour of a new breed of austere owner-managers. The charges against him, they say, are the self-serving work of a convicted felon and jealous Wall Street rivals.

These defensive arguments receive full airing in the book. But Wall Street has always said that Drexel Burnham, even Mr Joseph, simply does not know what Mr Milken gets up to in far-away Beverly Hills. Ms Bruck says, rightly, that he is such an important source of the firm's profits that he is only nominally a subordinate. She also says that he routinely ignored underwriting guidelines from New York.

In the book, Mike Milken first appears as a lonely young man in an ill-fitting toupee, reading bond prospectuses on a dawn bus by the light of a miners' lamp strapped to his head. At the summit of his power before the Boesky guilty plea in 1986, he is a man with an all-encompassing memory. Unsleeping, dictatorial, obsessed with power and control, he operates a web of buyers and sellers from his trading room.

Ms Bruck is surely right in saying that Mr Milken unleashed such demand for junk yields that he was obliged to invent new bond issuers: first through leveraged buy-outs and then through financing corporate raids by a changing roster of businessmen. Mr Meshulam Riklis, a Milken client who made a cameo appearance in the Guinness affair, describes his banker as Dr Frankenstein. "They have to create these guys, otherwise their business stops," he told Ms Bruck. "I call these guys the monsters."

Ms Bruck, who started work on the book in the heyday of the junk bond takeover in 1985, is scurrilous about these "monsters": Peltz and May, two obscure New York businessmen propelled by Mr Milken to the top of the US packaging industry, Mr Ronald Perelman "a crude Napoleonic type" who bought Revlon and the complex, gifted and independent Carl Icahn.

Mr Michel Bergerac, the haughty and imperial chairman of Revlon, says of meeting Mr Perelman and his partners: "I'll never forget those 20 or 30 guys coming off the elevators. All short, bald, with big cigars! It was incredible! If central casting had to produce 30 guys like that, they couldn't do it."

Ms Bruck ignores bigger questions. She refers only fleetingly to the possibility that Mr Milken's empire of highly leveraged companies will collapse, taking with it the junk bond portfolios of insurance companies, thrifts, pension funds and other financial institutions. It is a tribute to Mike Milken's extraordinary grip on US financial markets that nobody talks much about this appalling but realistic prospect.

James Buchan

Japan looks to London

■ Japan returns to the sterling bond market today amid hopes that the Japanese use of the market will pick up where it left off in the early years of this century.

The Japan Development Bank is raising £100m at 9¼ per cent due in 1993. The issue is unconditionally and irrevocably guaranteed by Japan. Lead manager is S G Warburg Securities.

The last such issue was for £5m in 1963 and is redeemable this year. In the old days, however, London was Japan's first place of call. The initial issue was for £1m in 1870. Between then and 1910 – when the Japanese went into French francs – they never borrowed on any other international market.

The peak period was 1904-07 when Japan was seeking funds to finance the war with Russia. In 1905 alone it borrowed £85m in three separate issues. Intermittent borrowing continued thereafter, but petered out in 1930.

Martin Gordon of Warburg says that the Japanese have been studying the sterling bond market for about three years and have recognised its maturity. By a series of currency swaps they should convert the loan into yen at a very favourable exchange rate.

Shotaro Niyake, the newly arrived Minister (Financial) at the Japanese Embassy, says that he expects more issues to follow provided that sterling remains reasonably stable.

French connection

■ Ian Hay Davison says he is changing the name of his house to Dunregulating. Having sorted out the Lloyd's insurance exchange and the Hong Kong Stock Exchange, the tall, bespectacled former accountant has accepted the chairmanship of CL-Alexanders Laing & Cruickshank, the London-based investment banking arm of Crédit Lyonnais.

The job will thrust him into the centre of City life, and the French connection holds out interesting possibilities in the context of 1992.

"London is the third largest financial centre in the world, but the one with the highest proportion of international business. It's also number one in Europe." he said. "If we see a significant reduction in trade barriers to financial services, Crédit Lyonnais will be in the best position to take advantage.

Crédit Lyonnais will also, no doubt, benefit from the new chairman's close connections with the City establishment, the Bank of England and the Tory party. Although Hay Davison does not intend to involve himself in City regulation, his experience in Hong Kong has taught him "the importance of paying attention to risk exposures." He thinks London might need to ask itself some questions in this area.

Hay Davison will have to resign directorships at Midland Bank and Morgan Grenfell Asset Management to avoid conflicts. He remains a director of Mason Best, the Dallas investment bank.

OBSERVER

"We can have our money back or a week's annual time-share on Peter Clowes' yacht."

More Japanese

■ An expert tells us that the office of the Japanese equivalent of Permanent Under-Secretary at the Foreign Ministry translates into English as "action duties next official". The British Embassy comes out as "big man thing office".

Top lycées

■ The French are going through such an intense collective soul-searching over the shortcomings of their education system that it has become the top policy priority for all political parties. The accounts of illiteracy and innumeracy at the bottom of the heap explain why.

At the top end, however, élitism continues and the best schools still win the most prizes.

The prizes in question are those of the Concours Général, the national competitive examination open each year to the top two forms in the lycées. The concours was founded by the University of Paris in 1747, was extended to admit girl competitors in 1937, and private schools last year.

This year students from the celebrated Lycée Louis-le-Grand in Paris headed the list by carrying off ten of the prizes and special mentions. The school was top of the list last year with a score of 12, the year before with 13, the year before that with 14, and the year before that with a record figure of 16 prizes or mentions.

Louis-le-Grand is particularly well known for its scientific prowess; somewhat surprisingly, it failed to win a science prize and won only a third prize in maths; its only first prize was in Latin translation.

Runners up in the league table were the International Lycée at St Germain en Laye and the Lycée de la Chimie with eight mentions each. The French lycées abroad did well, too, with a total of 14 mentions. The Lycée Charles de Gaulle in London alone received three mentions, including a first prize for French composition.

Legend is wrong

■ The poor boy known as Dick Whittington who is suposed to have come to London with a cat to seek fame and fortune and became Lord Mayor was actually the son of Sir William Whittington of Pauntley in Gloucestershire. He was very rich, loaned money to Henry IV and Henry V, was in charge of the financing of the completion of Westminster Abbey and rebuilt Newgate Prison.

That and other information is found in a handsome new book – The City: London's Square Mile – by Alan Jenkins. At £5.95, and not at all a coffee table tome, it should be just the present for visiting Japanese. In a Harrods bag, of course.

Name on the note

■ David Somerset, the man whose name appears on millions of British bank notes, is joining a Japanese bank. Somerset retired as the Bank of England's chief cashier in March and has been made a non-executive director of Yamaichi Bank, the subsidiary of Yamaichi Securities which has just opened up in the UK.

"Japan is clearly an enormous force in world economic affairs, and this is an interesting challenge," he said. He will be chairman of Yamaichi Bank's audit committee which means overseeing its internal checks and controls. What does he say about complaints that Japanese banks engage in price-cutting? "International banking is a very competitive business."

On the safe side

■ A middle-aged man went into a Farnham pub last Saturday accompanied by a very nervous looking girl. "Why don't you try a vermouth, Angela?" he said. "Would you like it sweet or dry?" "I think I'd better have it dry," said the girl. "I'm not really thirsty."

ECONOMIC VIEWPOINT: Martin Wolf

Is there a British miracle?

WHENEVER a citizen of the UK visited other countries in Western Europe during the 1960s and 1970s he would be asked – with a solicitude that barely concealed the pleasure – why the UK economy was performing so poorly. The resulting resentment over the UK's relative failure was one reason for the widespread acceptance of the revolution in economic policy labelled "Thatcherism".

It is hardly surprising, therefore, that six years of steady economic growth, capped by an expansion of gross domestic product at some 4½ per cent in 1987, has been greeted with ecstasy. The UK, it is alleged, is enjoying a productivity "miracle".

Is the claim of transformed performance true? If true, is the improvement in performance unambiguously desirable? Most important, can it last?

On what has happened, illumination is provided in a comparison made by Geoffrey Meen of the per capita GDP growth of the six major industrial countries between 1960 and 1987[1]. He shows that between 1968 and 1973 the UK's 2.9 per cent growth of GDP per head left it behind all but the US. Between 1981 and 1987, however, precisely the same performance pushed the UK into second place, only a fraction behind Japan. The growth of the UK in the 1960s and early 1970s was viewed as dismal at the time. If there is a miracle to be found in these numbers, therefore, it is a negative one: other countries have lost the secret of rapid growth.

In considering the change in UK performance since the 1970s, the focus has to be on productivity. The chart shows that in the period between 1979 and 1987 output per head in UK manufacturing rose at virtually the same rate as between 1964 and 1973. In non-manufacturing (excluding public services and oil and gas), however, growth of output per head has been significantly lower than in the period before 1973, giving an estimated overall growth of output per head of only 2.1 per cent. Again, the striking feature is the deterioration of the performance of the other major countries.

Economic growth is determined by that of the underlying primary factors of production, capital and labour, and by the efficiency with which they are used (the latter being labelled "total factor productivity"). Total factor productivity is probably the best single indicator of the growth of efficiency in an economy. Two OECD economists have provided a comparative analysis of the productivity performance of OECD countries since 1960 along these lines[2].

Their analysis shows that between 1960 and 1973, total factor productivity in the UK economy (excluding general government) rose by 2 per cent a year. During this period the UK's performance was much poorer than that of comparable countries (except the US); the OECD average was 2.8 per cent. Then, between 1973 and 1979 performance deteriorated everywhere, including in the UK, where total factor productivity rose by a mere 0.2 per cent a year. This was still well below the rate of growth in the other major OECD countries, except the US. After 1979, however, there was a marked change in the relative performance of the UK. Total factor productivity in the UK rose by 1.1 per cent a year between 1979 and 1986, while average total factor productivity growth in the OECD was only 0.6 per cent a year.

Thus, between 1979 and 1986, the performance of the UK economy improved both relative to its peers and relative to its own performance between 1973 and 1979. Performance did not improve, however, relative to UK performance in the 1960s and early 1970s.

Much of the discussion of the productivity miracle in the UK has been of manufacturing, reflecting a view of the primacy of material product that would be appreciated by Soviet planners. According to the OECD economists, between 1979 and 1985 total hourly factor productivity in UK manufacturing rose at 2.3 per cent a year. This is below the 3.3 per cent annual growth recorded by the UK before 1973, but only Japan and the US, of the major countries, had faster hourly growth of total factor productivity in manufacturing after 1979.

While the OECD study provides a valuable comparative perspective, the information is somewhat out of date and the periods chosen arbitrary. Analyses of the UK alone give significantly higher estimates for the recent trends in productivity growth.

In the FT of 10th June 1987, John Muellbauer of Nuffield College, Oxford, the pioneer of recent work on productivity in UK manufacturing, estimated total factor productivity growth since the third quarter of 1980 at 3.15 per cent. The comparable figure for the period from the fourth quarter of 1959 to the same quarter of 1972 had been only 2.63 per cent[3].

While total factor productivity growth is, in theory, the best aggregate measure of productivity, it is subject to a statistical health warning, the main problem being measurement of the capital stock. For this reason, popular debate has largely focused on labour productivity. A recently-published study by Kevin Boakes of Greenwell Montagu, for example, concluded that labour productivity in British manufacturing rose at 4.9 per cent a year between 1982 and 1987[4]. These figures are consistent with estimates, based on Muellbauer's methodology, by Peter Spencer of Crédit Suisse First Boston, that labour productivity growth in UK manufacturing from the third quarter of 1980 to the end of 1986 was 4.8 per cent[5].

The intriguing puzzle is services. The performance of manufacturing productivity may well be better than before, but the reverse has apparently been true for non-manufacturing business, where growth of labour productivity between 1979 and 1987 has apparently been 1.8 per cent a year, well below the rate in the 1960s.

Recently, the Liverpool Research Group in Macroeconomics recalculated productivity growth in services, using national accounts data, at 3.7 per cent a year for the period beteen 1980 and 1986 (allowing for part-time working)[6]. More interesting, because based on microeconomic information, is a lecture by Professor Douglas McWilliams, chief economist at IBM UK, which was discussed by Samuel Brittan in the FT of 23rd May 1988[7]. Professor McWilliams "guestimates" that productivity in the UK service sector has been rising at 3½ per cent a year in the 1980s.

If revisions of this order of magnitude were to be made, growth of labour productivity in the business sector as a whole would be substantially greater than currently estimated, at 4 per cent a year. The implication would be, however, that the national accounts underestimate the effects of structural change in the UK economy, especially in services, an implication that the statisticians themselves would surely deny.

Professor McWilliams also suggests that estimates of productivity growth in the information technology industry are too low. This adjustment alone would add ¼ per cent a year to GDP growth. Added to the adjustment for services, overall GDP growth since 1980 would then be at least 1¼ per cent a year higher than now estimated, at close to 4½ per cent. (It is worth noting in support that a study by Bill Martin of Phillips and Drew, to be published shortly, concludes that the GDP growth rate between 1982 and 1987 will probably turn out to be close to 4 per cent a year (excluding oil), after revision, as against the present official estimate of 3.3 per cent[8].)

Nevertheless, the optimistic conclusions drawn on services must be treated with caution. First, the upward revision to productivity in services is itself questionable. Secondly, the OECD study indicates that measured productivity performance has been poor in the service sectors of all industrial countries in the 1980s. If appropriate for the UK, upward revisions are probably also appropriate in other OECD countries, though Professor McWilliams insists not to the same extent.

It seems churlish to ask whether the improved productivity performance is desirable. Yet higher labour productivity that coincides with higher unemployment is prima facie quite undesirable. The OECD study shows that between 1979 and 1986 the employed labour force in the UK fell at a rate of 0.6 per cent a year, while the capital stock grew, according to its estimates, at 2.1 per cent a year. For the economy as a whole the substitution of capital for labour accounted for almost half of the total labour productivity growth of 1.9 per cent. Something is wrong when capital replaces labour, while the employed labour force shrinks and unemployment soars.

The study by Peter Spencer showed that between the third quarter of 1980 and the end of 1986 the replacement of labour by capital in UK manufacturing accounted for more than a third of the total labour productivity growth in that period. The substitution of scarce capital for abundant labour was, no doubt, a reflection of the failure of the real cost of labour to respond to changing market conditions. What is clear, however, is that a part of the productivity growth in manufacturing is not a symptom of what is right with the economy but of what continues to be wrong.

Can the improvement last?

In his discussion of productivity change in UK manufacturing, Muellbauer considers five explanatory hypotheses:

- Improvements in industrial relations;
- The introduction of new technology;
- The shedding of below average productivity labour (sometimes called the 'batting average' hypothesis);
- Changes in the rate of capital scrapping from 1981 (implying that the estimated capital stock used in total factor productivity calculations underestimates the actual capital stock from that date, just as it overestimated it before then);
- Increased labour utilisation after the 1979-81 recession.

The first two explanations, it should be noted, would imply a permanent improvement in the underlying rate of productivity growth. There can be little doubt that there have, indeed, been long-lasting changes for the better in UK manufacturing.

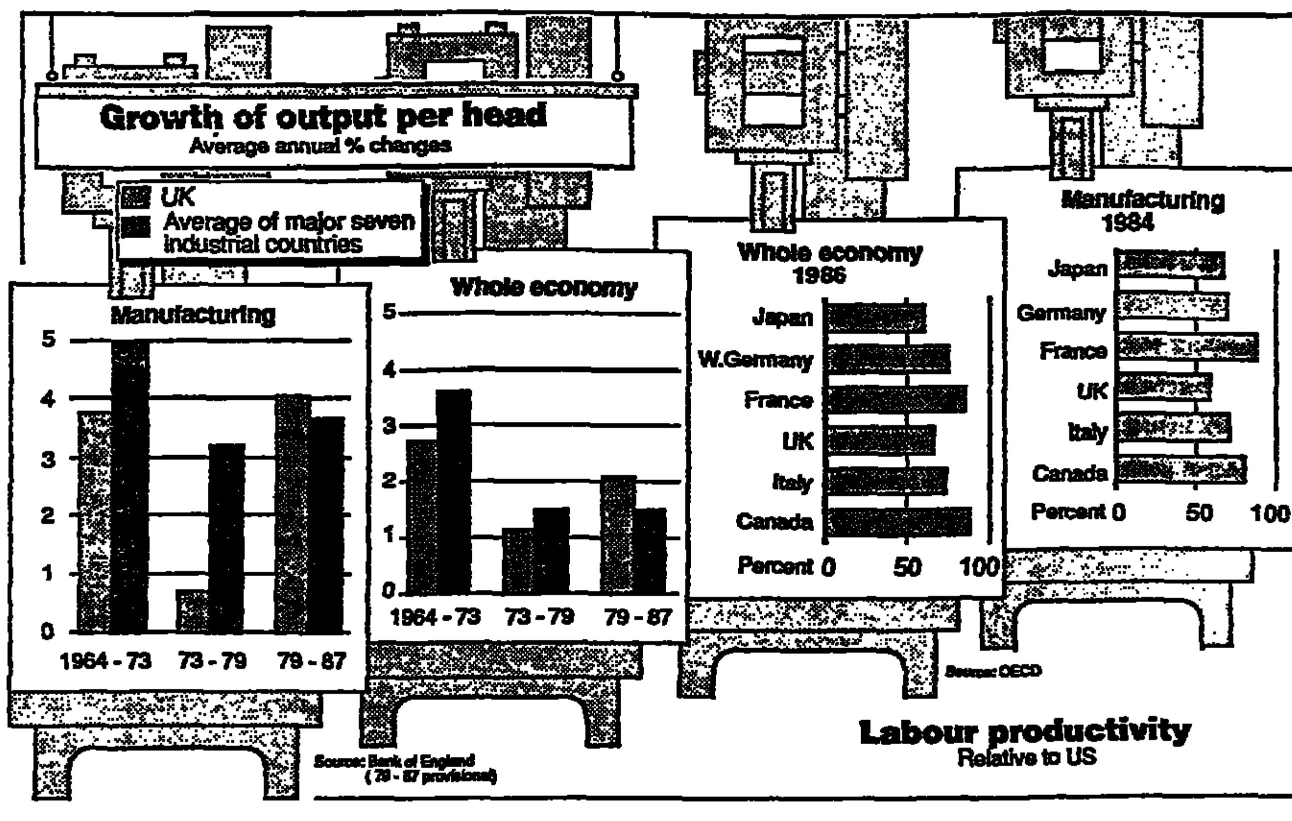
Moreover, there remain substantial gaps between productivity in the UK and the other major countries, especially in manufacturing. If labour productivity in UK manufacturing were to rise more rapidly than in Germany by 2 per cent a year on a sustained basis, it would still take almost ten years to catch up.

The potential for further rapid growth in productivity is indicated by the large productivity gap between the UK and other countries, but the existence of the gap does not mean it will be closed. There are worrying signs that the economy is approaching a cyclical peak, with severe inflationary pressure and a deteriorating current account. It needs to be remembered that much of the success has consisted of reducing the widespread underemployment characteristic of the UK economy in the 1970s. There is understandable concern, therefore, about the still quite modest rate of investment in physical capital and, still more, in human skills.

What conclusions can be drawn? First, productivity growth in manufacturing in the 1980s has improved not merely in comparison to the UK's peers and the 1970s, but compared with earlier periods as well, though the margin over performance in the 1960s and early 1970s is not large. Secondly, performance in services may be better than now estimated, in which case productivity growth in services would not merely be better than in the 1970s, but at least as large as in the 1960s. Thirdly, the productivity performance of the economy as a whole has unquestionably improved relative to that of the 1970s and of the country's peers.

It may have improved relative to the 1960s and early 1970s as well. Finally, to keep delight in bounds, the deterioration of the performance of other industrial countries by comparison with the 1960s has been a much more important reason for the UK's relative success than improvements in the UK's own performance since then.

What appears to matter most to many commentators is relative performance, which may turn out to be a slender support for euphoria. Other countries, notably those of Western Europe, may yet succeed in casting off their present sluggishness. It is an unhappy fact about human nature that the resulting deterioration in relative performance would probably be a signal for yet more jeremiads on the "British disease".



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Letters to the Editor

The Japanese in Wales

From Mr Jonathan Morris.

Sir, Your front page article, "*Welsh question the value of Japanese investment*" (June 13), summarised a recent article of mine. While the overall tone of your reporting was fairly balanced, I would like to add a few more comments to place the report in perspective.

The article was not a criticism of Japanese companies in Wales as such. Rather it was an indictment of a policy which places such investment as a cornerstone of its regeneration programme, which seeks such publicity from this investment and which uses its "success" to legitimise the run down of the public sector, notably through coal closures.

Second, many of the features ascribed to these companies would also apply to other foreign – and in some cases Welsh – investors.

Third, these Japanese companies differ greatly. Sony, for example, has proved itself far more committed to the regional economy than certain other firms.

Finally, there are a great many positive aspects to this investment over and above those which you list: notably in the area of production organisation (with particular emphasis on quality); in Japanese relations with their suppliers; and in their personnel and some of their industrial relations practices.

Jonathan Morris
Cardiff Business School,
UWIST,
Aberconway Building,
Colum Drive,
Cardiff,
Wales

Academics may need assurances

From Mr Ruben Lee.

Sir, Many of the assumptions behind Michael Prowse's article on the future of education (June 13) need questioning.

First, the answer to his rhetorical question, "Can any employee of the state . . .seriously expect to be free?" is: yes. They must and do insist on their freedom. Academics, whose job in many instances is to question the status quo, may need extra assurances.

Second, Mr Prowse implicitly states that research should have "relevance beyond the campus." Although he does not directly define what form this relevance should take, it is suggested that the market should decide, through a loan scheme, what the *universities should teach and thus, indirectly, what* they should research.

There are several powerful arguments against the use of this form of "relevance" as a criterion for selecting what research ought to be undertaken. Most importantly, "relevance" may just be irrelevant. Whether the market would recognise the work of the current day Spinozas and Wittgensteins as being "relevant" is unclear. Even if Mr Prowse's relevance is accepted as the valid criterion, the market may well be unwilling to fund the major projects which have large social but small private returns – and long pay-off periods.

Mr Prowse questions the need for a "vast government-financed *and supervised academic system*" and states that "many of the greatest thinkers in the past combined academic study with other activities." It is boringly true that research takes a great deal of time and, often, much money. This is not to say it is expensive – the benefits often outweigh *the costs – but rather that to* expect more than a tiny few to be able to follow the paths of some of their illustrious predecessors is to hope for the impossible.

Ruben Lee,
City University Business School,
Frobisher Crescent,
Barbican Centre, EC2

Easier on the eye

From Mr J.D. Sutherland.

When John Lloyd asks why people read the Sun (June 11), perhaps he should also ask why people read the Financial Times.

FT readers look first at the chief London price changes on the back page; second, the price of their shares; third, the stock exchange report; fourth, letters.

They only glance at the rest of the paper; few people have time to read in-depth reportage, no matter how good.

The Sun, made up of pictures and short paragraphs, is easy to read right through – and it contains a *spot of malicious gossip,* which few can resist.

J. D. Sutherland,
41 Westella Way,
Kirkella,
Hull, Yorkshire

Tradition put down

From Mr Barry Marshall.

Sir, As not every convertible has a put (Letters, June 15), it is more important that generally the company will have sold the call option (the basic right to convert) to the investor too cheaply. "Traditional" valuation models ignore basic determinants of option value, such as the life of the option and the volatility of the underlying share price.

Barry Marshall,
18 Clarence Road,
Walton on Thames, Surrey

Double, double toil and trouble

From Miss Jennie Barnbrook.

Although I have no direct interest, I read Peter Marsh's article on the rum recipe for bald Japanese (June 8) with astonishment.

I am sure that in fact it is bay rum. This is a very old hair conditioner, and can certainly be bought for less than £1 in most chemists.

Rosemary is an ancient cure *for heads inside and out.* For those with thinning hair, the best remedy is probably stinging nettles. They are easily available and, as Culpeper said, "can be found in the dark." A solution of witch hazel with nettles soaked in it for a few days, rubbed into the head, will work wonders. (This will cost 50 pence – slightly cheaper than £13 per jar.)

Other herbs are southernwood, yarrow, or – for those with at least a window sill for growing plants – sage (*for dark hair*) or chamomile (for fair hair).

J. Barnbrook,
16 Chestnut Drive,
Marton,
Middlesborough, Yorkshire

Financial strength is not the only problem for intermediaries

From Mr R.H. Ranson.

Sir, Mr Anderton comments (June 8) that the bonus philosophy of various life companies is a grey area, and a problem added to that of financial strength for intermediaries. The two are not separate issues, but inextricably entwined.

The so called "free assets" of a with profits office (that is, broadly, the excess of market value of assets over liabilities) measures (again in very broad terms) the overall earnings, *through* capital and income, on the with profits contracts which have not yet been credited to the existing policy holders by way of reversionary bonuses.

I prefer to think in terms of "consolidated" and "unconsolidated surplus." It is the latter which forms most of the so-called "free assets" which are being used to measure strength, and which I should expect to be passed on to the outgoing policyholder by way of terminal bonus.

I should be surprised if the thinking behind the National Mutual's decision referred to in Eric Short's article (May 26) was very different from mine, which led to a recent decision to cut our reversionary bonus rates.

This has little to do with the relative size of the "free assets" – more to do with the implications of the consolidation of greater or lesser amounts of those assets into reversionary bonus in current investment conditions.

Consolidation of surplus into reversionary bonus, while giving the policy holder a guarantee, can lead to constraints on investment policy. It may be more advantageous to leave surplus unconsolidated for ultimate payment as terminal bonus, thereby giving increased investment freedom (which should be in the better longer term interests of policy holders.)

Our philosophy is to regard with profits policy holders as joining an open-ended managed *fund whose investment risks are* shared among the members of the fund and, to some extent, smoothed and averaged over time. As we see it, that is the essence of the with profits approach. Thus each policy holder should get a return on his or her contract which reflects the performance of the fund while he or she remains a member (taking into account the particular features of the contract). This implies that, to the extent earnings were not consolidated by way of reversionary bonus during the lifetime of the policy, the balance should be paid out on maturity – that is, as terminal bonus.

Perhaps what an individual should be looking for, besides adequate strength, is consistency of an office's results over the years, *across all durations and* types of contracts. One might then be able to detect the inconsistent office, and could then make enquiries, because inconsistency ought to indicate a change of bonus policy, and some lack of consistency could be important.

R.H. Ranson,
The Equitable Life Assurance Society,
Walton Street,
Aylesbury, Buckinghamshire

FINANCIAL TIMES

Thursday June 16 1988

THE BEHAVIOUR OF ENGLISH ROWDIES IN GERMANY THIS WEEK HAS PUT PRESSURE FOR ACTION ON UK MINISTERS

Thatcher plans crackdown on the football hooligans

BY CHARLES HODGSON IN LONDON

TOUGH NEW measures to curb football hooliganism, including the introduction of a compulsory national membership card scheme, will be considered today at a Downing Street meeting chaired by Mrs Margaret Thatcher, the UK Prime Minister.

The talks, which follow widespread violence by English and other fans at the European football championships in West Germany, come amid signs that the UK government is set to step up pressure on the football authorities to take firmer action.

Although the talks will focus on football hooliganism, ministers are expected to broaden their discussion to include steps to combat street violence generally.

Mr Colin Moynihan, the Minister for Sport, who will report to the Prime Minister on the violence in West Germany, said yesterday that a tough new package of measures was now needed. Mr Douglas Hurd, the Home Secretary, will also attend along with Sir Geoffrey Howe, the Foreign Secretary, and Mr Nicholas Ridley, the Environment Secretary.

"There is no doubt that we have got to sit down and put together a tough package of measures. That means tough sentencing outside the ground, a tough line taken by policing authorities to make sure these hooligans are properly put away, and sentencing to deter other people," Mr Moynihan said.

Mrs Thatcher feels strongly that the English Football Association should look again at introducing a national membership scheme, which would exclude non-card holders from matches. The scheme, which was recommended in the Popplewell report drawn up after the fire at Bradford City football ground and the Heysel and Luton football riots, was rejected by the FA on the grounds that it would be impossible to operate at the turnstiles and would discourage casual spectators.

But ministers are clearly dissatisfied with the FA's voluntary system, under which clubs seek to put 50 per cent of their supporters on to a membership scheme. According to a report prepared by Mr Moynihan for the European football union (UEFA), only 18 of the 92 league clubs in England and Wales have reached the 50 per cent target. Nearly half have achieved only between 30 and 40 per cent.

It is clear that the government intends to put far greater pressure on the FA following the latest violence. Ministers recognise that clubs have had more success in implementing other recommendations made by Justice Popplewell, including the installation of close circuit television cameras and more seating, segregating rival fans, and banning the sale of alcohol at grounds.

But while this has reduced violence during matches, it has done little to curb trouble outside grounds and at games abroad.

The meeting is expected to consider ways of strengthening cooperation between police and immigration officials in Europe, in exchanging intelligence and joint planning in advance of international matches. But Downing Street officials ruled out suggestions by one Tory member of parliament that passports of known hooligans should be withheld.

The government was urged to recognise that the problem of violence extended beyond football. Mr Tom Pendry, the Labour Party MP who chairs the all-party backbench committee on football, said yesterday: "This has nothing to do with football."

Mr Hurd telephoned his West German counterpart yesterday to express his "concern and distress" at the violence in Düsseldorf on Monday night. He regretted the strain put on the German police and public

An English football fan in Düsseldorf yesterday

Honecker declines to follow Gorbachev

BY LESLIE COLITT IN EAST BERLIN

Honecker: horses for courses

EAST GERMANY'S conservative leader, Mr Erich Honecker, has flatly rejected all suggestions that he should adopt the economic and political reforms of Mr Mikhail Gorbachev in the Soviet Union.

Mr Honecker recalled that in 1945 the German communists issued an appeal saying they did not want the Soviet system "transferred" to Germany. "Present developments in the Soviet Union have arisen from Soviet needs," he said.

The East German leader's dismissive remarks came in an interview with Austrian journalists published yesterday in the East German party newspaper, Neues Deutschland.

Soviet officials have criticised the absence of reforms in East Germany, especially in the economy, and suggested that this anomaly could not last indefinitely. Only last weekend the East German Protestant Church at a conference in Erfurt demanded more openness and greater participation for East Germans in political life.

Mr Honecker, however, played down the sweeping reforms launched by Mr Gorbachev. "Obviously, it is a question of wanting to break up a certain encrustation of economic life in order to achieve a socio-economic acceleration," he said.

The 75-year-old leader said he supported this policy but that "in each country it is carried out in an entirely different manner ... We intend to continue the previously proven way," which consisted of stable prices for basic necessities and rents.

Mr Honecker also suggested that dissidents in East Germany were comparable to the Nazis. He specifically referred to a slogan of the dissidents taken from the late Rosa Luxemburg, a founder of the German Communist Party, that freedom of the individual was always the freedom of the dissenter.

He said Germany had experienced the Nazi storm-troopers and that he had been under arrest by Adolf Hitler's SS bodyguard regiment. "Those were all dissenters," he said. "You must allow me to make a distinction between normal thinking people and dissenters."

US Trade Bill gains new lease of life

By Lionel Barber in Washington

THE US Trade Bill gained a new lease of life yesterday when House Democrats announced they would revive the measure without its controversial plant-closing provision.

Mr Jim Wright, Speaker of the House of Representatives, said he would soon offer a separate bill requiring employers to notify plant closings or massive lay-offs, and then resurrect the Trade Bill.

President Ronald Reagan singled out the plant-closing provision as a major reason for vetoing the original Trade Bill. Last week, the US Senate failed to gain the two-thirds majority needed to override the presidential veto.

However, Congressional Democrats and Republicans, as well as the Administration, have expressed willingness to revive the bill, which has taken more than three years to prepare.

Among its chief provisions, the bill requires the Administration to identify unfair trade practices and countries which back them, and calls for negotiations aimed at removing the unfair practices under threat of sanctions. Special emphasis is placed on countries with large trade surpluses.

Mr Wright said he would remove the other controversial feature of the original bill, a provision limiting Alaska's ability to export refined petroleum products.

While Mr Wright's comments ensure that the House will pass the newly winnowed bill, passage in the Senate is less certain. Its chief sponsor, Senator Lloyd Bentsen of Texas, has frequently pointed out that Senate rules make it far more difficult to shut off debate on legislation and organise a quick vote.

The advantage of Mr Wright's manoeuvre is that it revives the Trade Bill while retaining the plant-closing legislation as a separate political issue. Democrats believe it is a popular measure which will attract support in the November general election.

Last week, the Senate Minority leader, Mr Robert Dole of Kansas, said it would be possible to get a trade bill before Labor Day in September, providing the political issues such as plant-closing were stripped out of the legislation.

Clowes arrested 'on suspicion of fraud'

BY OUR FINANCIAL AND FOREIGN STAFF

MR PETER CLOWES, the millionaire fund manager at the heart of the Barlow Clowes affair, was last night being questioned by police in London after being seized by fraud squad detectives in a dramatic breakfast-time operation.

His solicitor, Mr Charles Buckley, said that Mr Clowes had been arrested near his Cheshire home "on suspicion of fraud offences" and would be appearing before Guildhall magistrates in the City of London today.

Until last week, Mr Clowes – in his mid-forties - was the chairman and chief executive of James Ferguson Holdings, the stock market-quoted group which owned his Barlow Clowes fund management companies.

His empire crashed in ruins last Wednesday, when he was forced to resign from Ferguson. His resignation came amid the revelation that Gibraltar-based Barlow Clowes International (BCI) was insolvent with liabilities of £136m ($248m) to 11,000 investors who placed their savings in what they believed to be portfolios of British government securities.

On Monday night, it emerged that BCI had only £18m in ready assets and £37m was totally unaccounted for, according to Cork Gully and Ernst & Whinney, the two London accountancy firms acting as joint receivers and liquidators of BCI. A further £85m had been lent out on doubtful security and without the usual documentation, the two firms said.

Officers from the Serious Fraud Office arrested Mr Clowes at 9.10 am yesterday in the peaceful village of Prestbury. Detectives were later seen removing bundles of documents from the boot of a new red Mercedes limousine parked outside Mr Clowes's home, a £350,000 detached house.

His wife, Pamela Clowes, who described herself as devastated by the events, said the manner of his arrest was disgraceful. She told reporters: "Peter acted with great dignity all the way though".

After Mr Clowes was driven away, Mr Buckley said he had told the fraud squad officers that Mr Clowes would co-operate fully. Mr Buckley said that Mr Clowes had assured him that "there is no question that he has acted dishonestly in any of his affairs." Asked how Mr Clowes felt about the arrest, Mr Buckley said: "He is totally relaxed about the matter."

Police released only the minimum of information about the circumstances leading to the arrest, saying that Mr Clowes had been arrested "in connection with inquiries into Barlow Clowes Gilt Managers." BCGM was a Cheshire-based Barlow Clowes company which ran gilt funds until the Securities and Investments Board last month ordered it to be wound up.

The criminal investigation of the Barlow Clowes affair is being carried out by the Serious Fraud Office and the City of London Fraud Squad. It is being led by Mr John Tate, head of the SFO's investigation department, and Detective Superintendent Graham Balchin, of the fraud squad.

Mr Clowes's arrest came the day after Lord Young, the Trade and Industry Secretary, announced that Sir Godfray Le Quesne would lead an investigation into the Government's role in the events leading up to the Barlow Clowes crash. Ironically, as news of the arrest reached the City of London it was emerging that two weeks ago Mr Clowes offered his fund management companies for sale to two leading unit trust groups, Gartmore and Tyndall, but was swiftly rebuffed.

In a related development yesterday Mr David Mitchell, a Geneva-based chartered accountant with past business links to Mr Clowes, denied personally receiving £2m from BCI, as had been alleged by Cork Gully and Ernst & Whinney. "I was not aware that any funds that had been passed through to me or to the companies with which I have contacts were other than funds owned by Mr Clowes personally or discretionary funds at his disposal," he said.

He confirmed, however, that he was a director of Chateau d'Auros, a vineyard near Bordeaux bought by Mr Clowes.

Auditors' warning, Page 9

Airbus proposals sought

Continued from Page 1

"With McDonnell Douglas we are talking, with Lockheed we are negotiating," said one Airbus executive.

A deal between Airbus and Lockheed on the A320 would not rule out the possibility of eventual collaboration on other projects with McDonnell Douglas, though the search for an agreement would probably become less urgent.

Airbus Industrie began talking with McDonnell Douglas in an effort to mount a joint challenge to Boeing's domination of the world airliner market and to defuse the political row with the US over government subsidies to the European consortium. However, agreement has proved elusive because neither aircraft maker has been prepared so far to cancel planned models which compete directly with the other's range.

Rockefellers' French link

Continued from Page 1

were hit by the steel crisis and were stripped of their steel assets by the right-wing administration of former President Valery Giscard d'Estaing.

Baron Seillière has been one of the principal architects of the turnround in the Wendel family fortunes after the nationalisation of their Sacilor steel assets.

For both the Wendels and the Rockefellers, the association between the two industrial dynasties could not be more natural. The Rockefellers had for some time been considering investing in Europe and CGIP seemed a good place to start.

After all, as an executive of the French group indicated yesterday, the Rockefellers and the Wendels appear to share the same philosophy, the same long-term business views, the same business ethics and the same sort of family cultures.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	25	77	Malta	S	32	90	Rhodes	S	27	81
Algiers	F	25	77	Edinburgh	C	13	55	Manchester	S	21	70	Rio de Jo	R	23	73
Amsterdam	C	19	66	Faro	F	19	66	Manila	C	33	91	Rome	F	29	84
Athens	F	34	93	Florence	F	27	81	Melbourne	C	12	54	Salzburg	F	22	72
Bahrain	F	40	104	Frankfurt	S	23	73	Mexico City	-	-	-	San Francisco	C	18	65
Bangkok	F	35	95	Funchal	F	20	68	Miami	C	27	81	Seoul	C	29	84
Barcelona	F	23	73	Geneva	F	22	72	Milan	S	23	73	Singapore	F	33	91
Beirut	F	31	88	Gibraltar	F	24	75	Montreal	C	32	90	Stockholm	F	20	68
Belfast	F	15	59	Glasgow	C	16	61	Moscow	C	21	70	Strasbourg	F	25	77
Belgrade	F	27	81	Guernsey	C	13	55	Munich	F	23	73	Sydney	F	15	59
Berlin	F	23	73	Helsinki	C	18	64	Nairobi	C	20	68	Taipei	F	36	97
Biarritz	F	24	75	H. Kong	C	32	90	Naples	S	30	86	Tangier	F	21	70
Bombay	R	25	77	Innsbruck	C	22	72	Nassau	C	30	86	Tel Aviv	F	27	81
Bordeaux	S	22	72	Inverness	C	14	57	New Delhi	C	38	100	Tenerife	S	25	77
Brussels	C	16	61	Islamabad	F	39	102	New York	R	35	95	Tokyo	F	28	82
Budapest	F	23	73	Istanbul	C	25	77	Nice	S	23	73	Toronto	F	34	93
B. Aires	F	25	77	Jakarta	C	33	91	Nicosia	F	34	93	Tunis	F	28	82
Cairo	F	37	99	Jersey	F	16	61	Oporto	F	17	63	Valencia	R	22	72
Cape Town	F	16	61	Jo'burg	F	16	61	Oslo	F	22	72	Venice	F	26	79
Caracas	R	27	81	Lima	C	18	64	Paris	F	26	79	Vienna	F	24	75
Casablanca	F	23	73	Lisbon	C	20	68	Peking	F	29	84	Warsaw	C	21	70
Chicago	F	34	93	London	C	19	66	Prague	S	22	72	Washington	S	22	72
Cologne	C	17	63	Los Angeles	C	23	73	Reykjavik	R	7	45	Zurich	F	23	73
Copenhagen	F	24	75	Luxembourg	S	22	72								
Corfu	S	28	82	Madrid	F	19	66								
Dallas	S	22	73	Majorca	S	27	81								
Dublin	F	18	65	Malaga	S	22	72								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US farmers fear for crops in drought

Continued from Page 1

very nervous this week about the soaring prices.

"A $9 soyabean price [per bushel] is scary, it doesn't get there very often and it's a little too early to be getting excited about a drought." Grain-traders are looking for a sign the drought has really set in, he says.

This year's drought on top of a dry 1987 has left livestock ranchers in some parts of the country with little choice but to send some older cows for slaughter two to three months earlier than usual.

In North Dakota, pasture is offering only 38 per cent as much feed as it would in a good year and cattle are not fattening as fast as usual.

This is depressing cattle-futures prices. However, if farmers continue to slaughter cows early because of a lack of feed, beef prices could rise next year, when these cattle will be missing from the usual slaughter-cycle.

Mr Tom Morgan, president of Sterling Research, a commodities analysis firm, explains: "The cow liquidation usually begins in August as farmers get rid of their old cows before the winter. As more cows are slaughtered early this year, that will push prices down in the summer and fall [autumn] and up again next year."

Many US analysts are predicting that the surge in grain prices and an expected rise in meat prices later this year will push up the US inflation rate. This fear has been borne out by a round of price rises announced by food-processors in recent weeks.

This is likely to do little to improve farmers' fortunes, says Mr Senter.

THE LEX COLUMN

The SE rallies its troops

The Stock Exchange believes that all is for the best in the best of possible worlds, to judge from its account of how the market is settling into post-crash life. Its latest Quality of Markets Quarterly contains further soothing evidence to show that US-style circuit breaking devices are not the right way to deal with another crash in the London market. While the conclusion is probably correct, the suggested alternatives are not particularly confidence-inspiring. The new SAEF system for small bargains may be a good thing, as may the increased monitoring of market makers' activities. But they seem a thin defence against another rapid and dramatic shift in prices, which the report itself predicts will become the "normal" way for large adjustments to take place.

On the subject of private investors, the message is that member firms are investing heavily so as better to serve their clients, and are responding to changing conditions by becoming more specialised. And as if to reprimand those firms for whom specialisation has recently meant telling their private clients to go elsewhere, the Exchange forecasts that in a few years' time private client business will be 50 per cent higher.

Finally it demonstrates that talk of falling turnover is guff: all that has happened is that activity has shifted from equities to gilts, leaving the total unchanged. It brings the glad tidings that spreads have fallen back from the panic-induced heights of last November. If they are now stuck rather higher than a year ago, the argument is that market makers previously must have had an unrealistic idea of the risks involved. Despite all this, investors may wonder why spreads are some 30 per cent wider than in the bad old uncompetitive days before Big Bang.

Such an abundance of good news may not do much for morale among stockbrokers. The sight of gilt turnover at record levels must be a matter of near indifference, as gilts generate almost no commission at all. The account of life post-crash and post-Big Bang coming from the big City firms tells of costs doubling and commissions cut by half. In those circumstances, the instinct to keep spreads as wide as possible is scarcely surprising.

Pilkington

Pilkington is rather proud of the fact that despite a £26m hit on the exchange rate, it has finally joined the select band of 25 UK companies which earn pre-tax profits of over £300m a year. But there is a danger that after its success in seeing off BTR last year, it is once again becoming rather complacent, and criticism that its performance is not living up to expectations tends to be shrugged aside. Along with companies like United Biscuits and Rowntree, Pilkington has little time for the short sighted investment priorities of some City institutions.

While it is possible to feel a certain sympathy for its views, it is clear that the dramatic profit recovery which underpinned its successful defeat of BTR has run its course, and the diversification into new high-technology businesses – to balance its mature glass-making operations – is proving a costly and lengthy exercise. Its £368m acquisition of Revlon's ophthalmic businesses last summer contributed a meagre £2m in the second half, and explains why the group's earnings per share grew by only 7 per cent in 1987-88 and are unlikely to grow any faster in the current year. This part of Pilkington's operations is being reorganised into a major worldwide force, but the benefits are unlikely to start showing through until the end of the current year, at the earliest.

Fortunately, Pilkington's traditional glass business is booming and substantial price increases have been pushed through in a year when European glass demand is expected to grow by 6 per cent. Meanwhile, by merely raising margins on its North American glass business to European levels, it could easily add another £25m a year to profits. But there are other companies selling on 7½ times earnings which promise considerably faster profit growth over the next year or two.

Mercantile House

The extraordinary saga of Mercantile House seems to be getting yet more tangled, if that were possible. After the ignominious collapse of Gary Klesch's attempt to acquire the money broking business, British & Commonwealth seems to be taking its time in finding an alternative buyer, despite the fact that it is bound to do so under the terms of its understanding with the Bank of England. Although talks are apparently in hand with several parties, none seem keen to emulate Mr Klesch in bidding for both the UK and US businesses together.

Except, that is, for the deeply obscure Qwinzy Company, a Hong Kong money broker which yesterday announced that it was considering an offer of £250m for the lot. Coming in the form of a press release, the announcement caused evident surprise at B & C, and also at the Paris-based money broker Finacor – Continental Europe's biggest – which for some weeks has been talking to Qwinzy with a view to taking it over.

But then, the world of money broking is a curious one. As Qwinzy suggests, B & C would probably prefer to sell Mercantile to someone else within that world; a buyer from outside – a Japanese bank, say – might pursue a policy of ungentlemanly aggression, and spoil the profitability enjoyed by Exco, B & C's remaining money broking operation. Even if Qwinzy's approach turned out to be serious – the price at least looks realistic, being £30m below that agreed in the abortive Quadrex deal – the bidder would still have to be vetted by the Bank of England. But then, a system which cleared the deal with Mr Klesch is perhaps not as demanding as all that.

هكذا من الأصل

INTERNATIONAL APPOINTMENTS

World Teleport post for BT International chief

BRITISH Telecom International Inc. president Mr Michael L. Ford has been elected vice president and secretary of the board of directors of the World Teleport Association (WTA), announced WTA president Mr Robert Annunziata in New York.

WTA was founded in 1984 to address the growing need for international co-operation in the field of global telecommunications. It is a non-profit professional association representing teleports throughout the world. The 22-member board is composed of executives from member teleports and affiliates.

"Michael Ford is well known for introducing the world to such historic broadcast transmissions as the World Cup, 'Live-Aid' and the Royal Wedding," commented Mr Annunziata.

"He has also pioneered in the development and marketing of international business telecommunications services. Mr Ford brings to WTA's board a creative approach to the challenges facing our industry today, as new technologies and economic globalisation create increased demands for international telecommunications services."

Mr Ford was previously chief executive of BTI's International Business Services, a role he assumed in 1982, having responsibility for all types of international business telecommunications from the UK. These included SatStream, British Telecom's small dish satellite service, which opened with Canada in early 1984 and with the US the following year.

He commissioned the opening of the London Teleport for distribution of television programmes to cable systems, and its further expansion to provide other specialised business services.

His career with the Post Office began in the UK in 1969 after retiring as a Royal Artillery major. After holding a series of service and marketing posts in the international communications division, he was made in 1978 deputy directory of Prestel, BT's videotex service, and in 1981 a BT regional board chairman.

Amax helmsman also assumes vacant chairmanship role

THE BOARD of directors of Amax, the large US natural resources group, has elected Mr Allen Born, who is already president and chief executive officer, to assume the additional role of chairman.

Amax had a long period of poor financial performance, but is now in a much healthier state after extensive restructuring which began in 1985. The company's principal products are aluminum, coal, gold and molybdenum, while it is also involved in oil and gas production.

The post of chairman was last held by Mr Pierre Gousseland, who retired in early 1986 from this and the chief executive position but remained a director.

Mr Born, almost 55, became chief executive in January, 1986. He had been president and chief operating officer since June, 1985, when he rejoined Amax from Placer Development, of Canada.

He originally spent 15 years with Amax, before leaving as president of Amax of Canada and of Climax Molybdenum of British Columbia to be president and chief executive of Placer in 1981, and chairman in 1983.

Mr Born serves on the board of directors and the executive committee of the American Mining Congress and is a director of the Mineral Information Institute.

Change of leadership at Dai-Ichi Kangyo

THE JAPANESE Dai-Ichi Kangyo Bank (DKB), the world's largest bank in terms of assets, and also earnings when securities sales are included, has announced a change of leadership.

The post of president is to be filled by Mr Kunji Miyazaki, 58, currently senior vice president who will succeed Mr Nobuya Hagura, while Mr Ichiro Nakamura, a vice president aged 62, will replace Mr Tetsuo Fujimori as chairman. Mr Hagura and Mr Fujimori will become directors and advisers.

The appointments will be confirmed formally at a directors' meeting to be held after a shareholders' annual meeting scheduled for June 29.

Mr Miyazaki, a graduate of Kyushu University, became senior managing director at DKB in 1984 and senior vice president in June last year.

DKB, taking into account the securities sales, went top of the world's bank earnings league in the year ended March, 1988, the first time since Dai-Ichi Bank and Nihon Kangyo Bank merged in 1971.

* * *

US investment banking and brokerage concern Bear Stearns appointed Mr David M. Setchim a managing director.

Previous chairman of Steyr-Daimler returns to Audi fold

MR JURGEN Stockmar has rejoined Audi AG, the up-market West German car producer which is part of the Volkswagen group.

From June 1, he has become the member of the board for technical research and development, filling the post vacated by Dr Ferdinand Piech when the latter took over as chairman this January from Mr Wolfgang Habbel.

Mr Jurgen Stockmar

The appointment of Mr Stockmar, 46, is something of a homecoming, since he last worked for Audi in the 1970s as head of the chassis tuning department at Ingolstadt. His responsibilities were later widened to include four-wheel drive development and the Audi motorsport department, where he developed competitive racing and rally versions of the Audi 80 and Audi Quattro.

Since 1981, Mr Stockmar has worked with all-wheel drive specialists Steyr-Daimler-Puch in Austria, as head of development and later as company chairman.

His career includes specialisation in high performance fuel systems and also work in the journalistic field – in the early 70s he was chief technical editor of Auto Zeitung magazine.

* * *

AT WESTPAC Banking, Australia's biggest bank, chairman Sir James Foots announced that Sir Harold Aston, CBE, has joined the board.

Sir Harold has been a director of Australian Guarantee, Westpac's finance offshoot, since 1983. He was associated for 30 years with Bond Coats Patons, and he is currently consultant and adviser to Pacific Dunlop, which last year became the parent company of Bond Coats Patons.

A past president of the Confederation of Australian Industry and the Textile Council of Australia, Sir Harold also had wide experience in industry associations and bodies, and was a member of the Australia-Japan Business Co-operation Committee from 1980 to 1987.

He is chairman of Downards Pickfords Proprietary and deputy chairman of Manufacturers Mutual Insurance.

Accountancy Appointments

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Résumés please, with daytime telephone number, to Janice Walden, Ref JW877.

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c £18,500

to manage all financial and Company Secretarial functions. An early priority will be the preparation of a suitable operating strategy, and you will be relied upon to produce management information, funding applications and accounts, provide financial advice for the Board, and administer the group's taxation affairs.

You should possess a formal accounting qualification, probable ACA or ACCA, and offer at least 2-4 years post qualification experience at managerial level in a service industry environment. You will also need experience in implementation and/or management of computerised accounting systems.

Could you develop this vital branch of our "great oak tree" of the future?

Send your CV and application, or phone first if you wish: The Chief Executive, Merseyside Education Training Enterprise Limited, 6 Salisbury Street, Liverpool, L3 8DR - 051 207 2281.

METEL

is an equal opportunities employer

FINANCIAL CONTROLLER

We require qualified ACA as Finance Controller to take responsibility for the financial reporting and management of the GMEDC Group, and to provide support in the review and management of investment projects.

As the Development Agency for Greater Manchester, GMEDC is *sponsored by the ten Local Authorities of Greater Manchester.* With access to substantial public and private sector financial resources, the Group provides venture and development capital, develops industrial property and provides a range of promotion and training services to the region. This appointment therefore offers an excellent opportunity to acquire financial management expertise in an expanding and profitable organisation.

GMEDC is an equal opportunity employer, offering attractive terms and conditions of employment, including car user allowance. Salary c. £18,000.

Please, apply in writing, enclosing detailed CV, to I M Bolton, Finance Director, GMEDC Limited, Bernard House, Piccadilly Gardens, Manchester M1 4DD.

GREATER MANCHESTER

GPA

GPA GROUP LIMITED

GPA Group Limited seeks professionals with high academic qualifications who are currently employed in financial institutions, legal or accounting firms, the public service or relevant industrial companies.

GPA is a financial services company specialising in aircraft asset management. Based in Shannon, Ireland, with offices in London and Connecticut, it is the largest operating lessor of commercial jet aircraft in the world. GPA currently manages a fleet of 115 aircraft valued at $2 billion with orders for additional aircraft worth approximately $5 billion. GPA shareholders and joint venture partners include some of the world's leading airlines, aerospace manufacturers and financial institutions, as well as the majority of GPA employees.

GPA has shown continuous growth since its foundation in 1975 and now has a net worth in excess of $450 million. It attaches great importance to the quality, commitment and innovative ability of its people, who now number 150.

The proposed appointments arise both from internal promotions and an expansion of activities within the Finance Division, which manages debt lines of $1.9 billion and annual cash flow movements in excess of $2.5 billion.

SENIOR VICE PRESIDENT – TREASURY

£100,000 + — **Ref. No. 3427**

Reporting to the Chief Financial Officer, this is the senior Treasury position in the group. The appointee will have a creative and visionary approach to the development of the group's sources of funds and the fostering of appropriate relationships will be very important. The appointee will be experienced in handling complex negotiations with major financial institutions and will be responsible for the management of the total Treasury function including its access to the international public debt markets.

In conjunction with the Senior Vice President – Finance he or she will share the responsibilities of the Chief Financial Officer, and work closely with him in the development and implementation of a strategic financial policy for the group. He or she will be capable of deputising for the Chief Financial Officer in his absence and of managing the total finance function.

VICE PRESIDENT AND TREASURER – JOINT VENTURE COMPANIES

£75,000 + — **Ref. No. 3428**

An experienced Treasurer is sought to take responsibility for the financing of GPA's affiliated companies, which are separately funded. These companies include GPA Airbus 320 Limited, GPA Fokker 100 Limited, GPA Jetprop Limited, Irish Aerospace Limited, Shannon Engine Support Limited and the recently announced joint venture with British Airways plc.

The appointee will report to the Senior Vice President – Treasury and have appropriate support staff. The position requires significant experience in structuring debt facilities with large financial institutions.

DIRECTOR OF BANKING

£50,000 + — **Ref. No. 3429**

The Director of Banking will provide appropriate support to the Senior Vice President, Treasury and Treasurer – Joint Venture Companies in the development of the group's debt facilities. In addition the appointee should be capable of leading negotiations with financial institutions and handling related documentation and liaison with professional advisers. Experience with large syndicated banking transactions would be an advantage.

FINANCIAL ACCOUNTANT – JOINT VENTURE COMPANIES

£45,000 + — **Ref. No. 3430**

A Chartered Accountant with some post qualification experience, preferably in a financial services environment, is sought for this position. Reporting to the Group Chief Accountant, he or she will service the accounting requirements of the group's joint venture companies and will also advise on the appropriate structuring of commercial transactions particularly in terms of their impact on taxation and the balance sheet.

MANAGER – DEBT ADMINISTRATION (LEGAL)

£40,000 + — **Ref. No. 3431**

An experienced professional with a legal background is sought for this position. He or she will co-ordinate banking activities on a day-to-day basis and be primarily responsible to the Senior Vice President – Treasury for ensuring compliance with all documentary obligations to the group's lenders.

FINANCIAL ACCOUNTANT – PARENT COMPANY

£30,000 + — **Ref. No. 3432**

A young Chartered Accountant who has qualified in a large practicing firm will be suitable for this position. Reporting to the Group Financial Accountant, the appointee will be responsible for producing the group's consolidated management accounts and audited financial statements at year end. Familiarity with computerised accounting systems, corporate taxation and the ability to manage staff will be important.

TREASURY ASSISTANT

£20,000 + — **Ref. No. 3433**

The Treasury Assistant will provide appropriate support to the Treasury team. A knowledge of banking, treasury systems and interest rate management techniques will be helpful. The position will ideally suit a recently qualified professional wishing to develop a career in Treasury.

All positions are based in Shannon and require determined and resilient professionals who have a bias towards achieving results. Professional qualities must be blended with an ability to adopt a broad commercial and entrepreneurial approach to the group's business.

The compensation indicated includes competitive salaries and benefits and participation in bonus and profit sharing schemes. There are excellent opportunities for personal development and share participation.

The positions are open to personnel already within the company.

Candidates should send comprehensive applications in confidence, quoting the appropriate reference number, to: Brian Ward, Peat Marwick Management Consultants, 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland.

KPMG Peat Marwick

ACCOUNTANCY APPOINTMENTS

ALSO APPEAR ON PAGES 10 & 11

READY FOR A MOVE OVERSEAS...

FINANCIAL CONTROLLER

Falkland Islands Development Corporation

c.£35,000 package

The Corporation has been operational since July 1984 and has an extremely wide remit "to encourage and assist in the economic development of the Falkland Islands." Since 1986 the economic scene in the Islands has undergone a radical transformation and the Falkland Islands is now able to determine its own development priorities from a position of strength.

Into this stimulating and evolving situation the Corporation now seeks to recruit a financial controller to assist with plans for continued growth and provide a full financial management service to the FIDC and its commercially orientated subsidiaries, in particular, Stanley Fisheries Limited with assets of c.£10 million. The role will require the exercise of considerable commercial judgement and will include the control and investment of the funds of the FIDC, effective control and reporting of all liabilities, income and expenditure and the further development and implementation of computerised accounting systems.

Candidates will be qualified accountants with post qualifying experience having been gained in a small complex organisation requiring the development of tight reporting and control systems. A confident, mature character with excellent communication skills and the ability to stand one's ground in a positive and constructive manner whilst working under pressure from a number of directions is needed.

This is a challenging role at a pivotal time in the Islands' history. The remuneration package will be commensurate with the role's importance to the Corporation.

Please write in confidence, to Anne Routledge, enclosing full career details and quoting reference F3018.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Group Chief Accountant

c£35,000 + bonus + car — City

Our client is a leading and highly successful UK PLC. In recent years the Group has achieved significant growth and transformed its business base through a series of strategic acquisitions and corporate development initiatives. Throughout the Group experienced management teams operate within a highly decentralised structure, subject to strict financial controls. The organisation is now emerging as strong, and capable of adapting quickly to changes in City markets.

This growth has created the need for a Group Chief Accountant to assist in implementing the expansion programme; with specific responsiblity for Group reporting and running the head office finance function. Reporting to the Financial Controller, key tasks will include enhancing corporate systems, controls and procedures in line with current and future business needs, and managing a team of staff providing statutory and internal information for the Group.

Candidates should be Chartered Accountants, probably aged between 30-35. They will have worked in a group headquarters role demanding a professional approach, combined with strong technical and staff management skills. Experience with computer based accounting systems is essential. Candidates will be mature, self motivated and hardworking with the confidence and presence to operate effectively in a fast moving corporate environment.

This is an outstanding opportunity to enhance your career in one of today's most successful UK PLCs.

Please reply in confidence, giving concise career, personal and salary details to:
Judith Richardson, Ref ER 991,
Arthur Young Corporate Resourcing,
Citadel House, 5-11 Fetter Lane,
London EC4A 1DH.

Arthur Young Corporate Resourcing

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

FINANCIAL DIRECTOR DESIGNATE

HOUNSLOW, WEST LONDON
c£30,000 + Car

Portals Water Treatment, the multinational process engineering group, is combining two of its UK subsidiary business units to create a single process contracting company which will be based in Hounslow. The new company, employing 450 people and with a turnover of £40m, will specialise in providing design, engineering and contracting services for potable and industrial water treatment projects.

The initial challenge of the position will be to utilise existing people and systems to develop and form a single finance division responsible for accounting, treasury and computing functions.

You must be a qualified accountant with proven experience of managing people and systems. You will be an integral part of the executive team and be expected to contribute to business policy and strategy.

Apart from the indicated salary and car, an attractive range of benefits apply. Relocation assistance is available if required.

Please send brief details placing emphasis on experience over the last five years together with your current salary and benefit package to Stephen Thompson (Personnel), Portals Water Treatment Ltd, Oldfield Lodge, 156 Bridge Road, Maidenhead, Berkshire, SL6 8DG.

PWT WORLDWIDE

OUTSTANDING ACAs FOR STRATEGY CONSULTING

McKinsey & Company, the foremost international strategy consulting firm, seeks to recruit outstanding men and women for its expanding London office.

You will be aged between 27 and 32 and have a record of distinctive achievement with a top international accountancy firm, and perhaps subsequently with a blue chip bank or industrial company. Professional experience should include demonstrable success in audit, tax or consultancy. Experience of special investigations or corporate finance will be a distinct advantage.

In addition to your ACA you must have exceptional academic qualifications and proven leadership ability. You should have the maturity and poise to interact with chief executives of major corporations.

Although you will have excellent prospects where you are, your interests and ambitions will lie in general management and in developing and implementing business strategies.

McKinsey offers the prospect of highly stimulating work in a range of industries, and the opportunity to acquire international experience and general management skills. The potential for advancement, personal satisfaction and financial reward are outstanding and will reflect the calibre of the individuals that we seek.

If you are interested in becoming a strategy consultant with McKinsey, and consider that you have the necessary qualifications, please send your curriculum vitae to Peter Foy, Managing Director, McKinsey & Company, 74 St James's Street, London SW1A 1PS quoting reference FT/166.

Your application will, of course, be treated in the strictest confidence.

McKinsey&Company

GEEST

Young Corporate Finance Team

To £20K + car + relocation — North of Peterborough

Geest PLC requires three outstanding young Accountants to join their finance team in the reporting, control and development of the group's superb financial performance to date and to plan further market penetration. The team will form a central backbone that will both extrapolate and use strategic information: the objective being to optimise the use of group resources to meet corporate goals, to facilitate organic growth, acquire new businesses and to produce all financial statements to the outside world.

The roles are "hands-on" in nature involving Board reporting, fund managment, major capital expenditure proposals/development plans, identifying, investigating and executing acquisitions and the performance appraisal and trend analysis of existing businesses.

You will be pivotal in the consolidation and publication of corporate reports, your exposure to all levels of management and aspects of the business will be total.

Geest PLC is committed to management development – it is envisaged that the successful encumbents will be moved into senior line roles within a sensible time scale and are looking for individuals who will commit themselves to Geest for the same period in return for underwritten career prospects based on merit.

Both work and geographical environment are superb, 90 mins from London, on the edge of the developing Peterborough/Cambridge conurbation; the rural Lincolnshire location encompassing sensible house prices with accelerating capital growth and an excellent quality of life.

For further information please contact
Rod Bateman B.Com, ACA on 0602 483480
or send a C.V. to him at Michael Page Partnership, Imperial Building, Victoria Street, Nottingham NG1 2EX.

MP

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Outstanding Opportunity : Retail Sector

FINANCIAL CONTROLLER

Package c £40-50,000 pa — N. London/Herts

Our client is a major high street retailer and a market leader in its field. It has some 450 outlets, a turnover exceeding £300 million pa, and is part of one of the UK's top thirty blue chip groups. Following a major re-organisation and investment programme, the company is now poised to achieve a dramatic increase in volume and market share. This appointment represents an outstanding opportunity to join this ambitious retailer at a genuinely exciting stage of development.

The Financial Controller will be chief financial officer and will be expected to play a full and active part in the overall management of the company. The job holder will manage an immediate staff of 30 people and a remote site of a further 50 staff dealing with branch returns. The job holder will be responsible for all financial and management reporting and will enjoy the challenge of further developing financial control, management information and computerised systems throughout the company.

Candidates for the position should be graduate qualified accountants, probably aged early to mid thirties. Candidates with sound line management experience with a substantial retailer will be preferred. Experience of developing financial control procedures, management information systems and man management skills will also be advantageous.

The remuneration package will include a basic salary of up to £35,000 pa plus a performance related bonus up to £17,500 pa. The benefits include an executive car, pension scheme, life assurance, private health care, 25 days holiday entitlement and a full relocation package in appropriate cases.

Please send career and current salary details, together with a daytime telephone number, to Barry C Skates at our Maidenhead office. Of course, strict confidentiality is assured.

MKA SEARCH INTERNATIONAL LIMITED
MKA House, King Street
Maidenhead Berks SL6 1EF
Telephone: (0628) 75956

MKA

Maidenhead, London, Worcester — Search, Selection & Management Consultancy

Finance Director

— Retailing and Distribution

South East — to £40,000 + Bonus + Bens

Our client, a substantial retailing and distribution plc, is following an exciting growth strategy by aggressively exploiting new market opportunities.

We seek a Finance Director with a strong commercial bias who, working closely with the Managing Director and supported by a sound team, will have a vital role to play in managing the successful growth of the business. You will be responsible for all aspects of financial control, planning, business evaluation, acquisition review and, crucially, the ongoing development and improvement of a sophisticated EDP and MIS function.

You will probably be aged 30-40, a graduate, qualified accountant with experience at Finance Director level ideally in a distribution environment. In addition to the obvious technical, management and communications skills required, a familiarity with EDP systems, and the ability to influence and earn the respect of non financial management, are crucial.

Interested applicants should write enclosing comprehensive curriculum vitae and daytime telephone number to Barry Ollier, BA, ACA, quoting Ref: 245, at Whitehead Rice, 295 Regent Street, London W1R 8JH. Tel: 01-637 8736.

MANAGEMENT SELECTION

Whitehead Rice

Administration & Commercial Director

to £30,000 p.a. + Car + Share Options

Our Client is a fast expanding plc manufacturing and marketing an increasing range of products for the UK and W. European DIY markets. They now wish to add an Administration and Commercial Director to the small executive team of the UK marketing company based in South Hertfordshire.

This role requires a vigorous, pro-active manager with the professional capacity and commercial scope to support warehousing, sales office, administration, data processing and accounting activities through a total staff of 23. In addition, the ability to make a significant contribution to the company's broad, ongoing development is vital.

Applicants should be qualified accountants with sound organisational skills and an enthusiasm for real business issues. The growth of the Group will ensure future opportunities beyond the original appointment. Age guideline 30-35.

Please reply in confidence quoting Ref: E133 to:

Margaret Mitchell
Mason & Nurse Associates
5a Station Road, Egham
Surrey TW20 9LD
Tel: 0784-71255
Offices in London, Birmingham and Egham.

Mason & Nurse
Selection & Search

APPOINTMENTS ADVERTISING

For further information call 01-248 8000

Tessa Taylor ext 3351

Deirdre Venables ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

FINANCIAL CONTROLLER

W. London — to £35,000 + car

Our client is a medium sized, autonomous UK subsidiary of a major European industrial group, specialising in international distribution and trading. Currently poised for a period of growth and expansion through acquisition, the company now wishes to appoint a Controller to head up the finance function and to undertake the role of Company Secretary. Reporting to the Managing Director the role will entail responsibility for all financial and management reporting, provision of more sophisticated systems and participation in corporate strategy and acquisition activities. *Candidates should be qualified accountants* with sound financial and management experience, gained from working in a progressive commercial environment. They should have the maturity and personal skills to communicate effectively at board level and they should be computer literate.

This is a key role in the organisation which should lead to a board appointment in due course. It carries with it an attractive benefits package including executive car, BUPA and a non-contributory pension scheme.

Applicants should write enclosing a full cv and salary details, quoting reference BS257, to Paul Carvosso.

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Accountancy Personnel

Placing Accountants First

CHRISTIE GROUP PLC

Central London — **£Neg**

CHRISTIE GROUPplc

Our client, an associate company of Christie & Co. have been offering specialist valuation and stocktaking services in hotels, public houses restaurants and clubs, since the turn of the century.

An exceptional opportunity has arisen for an Accountant, with strong emphasis on business expansion, financial reporting and client liaison. The role also involves setting up accounting systems, and staff supervision.

The ideal applicant will be of a personable, professional nature, whose practical knowledge and experience will outweigh professional qualifications. Excellent benefits. Ref: R048

For further details contact: Accountancy Personnel, 14 Great Castle Street, Oxford Circus, London W1N 7AD. Tel: 01-580 9188

COMPANY ACCOUNTANT

Central London — **£22,000+Car+Benefits**

CONFIDENTIAL

This fast growing computer leasing subsidiary of a major British Bank seeks a young recently qualified accountant for its Head Office.

Responsibilities – Supervision of accounts department of seven, control of mini-computer based accounting system, preparation of monthly management accounts, annual accounts and group returns, with involvement in a number of administrative areas.

The successful candidate must be able to contribute to the efficient management and further development of the accounting function and to communicate effectively at all levels. Ref: KPIEC

For further details contact: Accountancy Personnel, 9 Eastcheap, London EC3M 1BN. Tel: 01-626 0666

PART QUALIFIED PFP TAX CONSULTANTS

StoyHayward

Stoy Hayward's clients demand and get advice of the highest standards on all financial matters, including tax and general financial planning.

They created a specialist PFP team just over a year ago and rapid growth has resulted in a team of 13 requiring additional staff.

The intention is for an individual to maximise the benefits of financial resources through careful planning of investments, pension provisions, inheritance and capital gains tax planning along with family income protection plans etc.

The work is therefore unique in its rich variety and is constantly challenging. If you have experience in tax or personal financial planning and a desire to progress within a supportive and dynamic team then contact us for an early introduction.

For further details contact: Accountancy Personnel, 63/65 Moorgate, London EC2R 6BH. Tel: 01-628 8525

Our client is the newly formed subsidiary of a prestigious banking and financial services group, part of the well planned extension of an important new funding initiative. This has created the need for a number of high calibre professionals able to shape and manage an enterprising young company at a time of rapid growth.

Senior Project Manager

to £30,000 + Car + Banking Benefits

This position will resource a wide range of ad hoc projects primarily arising through product and business sector development, systems review and implementation, financing and balance sheet management. A keen analytical mind and the ability to assess situations and formulate solutions quickly are essential. Close liaison with a diversity of functions will further require first class communication skills.
Ref: E131A

Treasury & Accounting Managers

to £27,000 + Car + Banking Benefits

Two able young managers will create, develop and manage operational teams to support the specialist accounting and reporting needs of the business. Key responsibilities will include systems specification, the control of large scale cash movements and provision of procedures to ensure compliance with complex legal requirements. The ability to manage effectively in this technically and intellectually challenging environment is essential.
Ref: E131

Located in South Hertfordshire, the company is well served by both M1 & M25 motorways.

Please reply in confidence quoting the relevant reference to:

Margaret Mitchell
Mason & Nurse Associates
5a Station Road, Egham
Surrey TW20 9LD. Tel: 0784 71255
Offices in London, Birmingham and Egham

Mason & Nurse
Selection & Search

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR
A MEMBER OF BLUE ARROW PLC

Financial Controller

Capital Equipment Manufacture
East Midlands, c £30,000, Car, Benefits

This £75 million subsidiary of a progressive UK group is a world leader in the manufacture of automated capital equipment, supplied to an international customer base. Responsibility is for the total financial management of a network of multi-site businesses, assisted by a professional team numbering 30 in total, covering computerised financial and management accounting, budgeting control and treasury management. Additionally, working alongside and reporting to the Managing Director you will be extensively involved in the management and strategic development of the core businesses. The interfacial role with the parent company is also of paramount importance. Qualified accountants, aged over 30, will be finance professionals capable of both operational management and strategic impact at the highest level, who have extensive, industry based experience, of computerised accounting systems. Prospects beyond this initial role are outstanding.
K.H. Thompson, Hoggett Bowers plc, *3 Wellington Court, Wellington Street,* CAMBRIDGE, *CB1 1HZ*, 0223-324441. *Ref: N13077/FT.*

Financial Director

East Scotland, Package To £30,000, Quality Car

An outstanding opportunity for a first class accountant to secure the senior finance position within the European operations of this very progressive, globally represented US multinational Group. The product range is technologically advanced and continued investment in product innovation and development will maintain the company's strong market leadership position. As an integral member of a small but high powered executive team, the Financial Director reporting to the Managing Director – Europe will be responsible for all financial and MIS functions within the European organisation. Additionally you will provide extensive input toward the strategic management and development of the business and in this respect the interfacial relationship with the US parent is of paramount importance, overseas travel being involved. Candidates aged 28-35 will be graduate professionally qualified accountants with above average and rapidly developed academic and financial management track records, currently working in a senior management capacity in either the profession or industry. Maturity, diplomacy and commitment combined with persuasive communication and leadership skills will be vital factors in dictating the future rate of career growth within this blue chip and tightly financially managed organisation.
K.H. Thompson, Hoggett Bowers plc, *29 St. Vincent Place,* GLASGOW, *G1 2DT*, 041-221 2585. *Ref: N13058/FT.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

Financial Controller

City — Package circa £40,000

Our client is a leading City firm specialising in Institutional and Private Client Funds Management. The organisation has ambitious plans for future *development which it will achieve through internal growth and acquisition.* In order to support these plans, our client intends to introduce new accounting structures and systems during the next few months.

The Financial Controller will be accountable to the Financial Director and will carry significant responsibility for budgets, financial control, annual accounts and regulatory and holding company returns. The successful candidate will be expected to liaise closely with the Technical Services Department in the development of computer based financial systems.

Candidates, ideally aged between 30 and 40, will be graduate Chartered Accountants with at least three years experience in the Securities Industry and proven management ability.

The excellent *remuneration package includes a company car, mortgage* subsidy, BUPA and Pension Scheme.

Interested candidates should send a comprehensive curriculum vitae including details of current salary and a daytime telephone number quoting reference *LM039 to Susan Stuart, at Spicers Executive Selection, 13 Bruton* Street, London W1X 7AH.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

TRADE FINANCE

Make a Major Contribution to our Future

We are a major European company with an impressive record of growth and a turnover in excess of £250 million, including a significant proportion of exports. Building on this success, we are now embarking on an aggressive programme of geographical and product expansion. The effect of this will be to triple corporate sales by 1996.

As Trade Finance Officer at our European Headquarters in Surrey you will have a central role to play in this expansion. Working closely with the company's export sales departments, you will be responsible for all aspects of export related finance and insurance, including ECGD buyer and supplier credit applications, contract bonds and guarantees, collections, letters of credit, etc.

This is a challenging position requiring an assertive personality and the confidence to deal directly with senior managment. While knowledge of export finance and ECGD would be advantageous, more important is the self-motivation to develop export finance skills in order to make an essential contribution to the export sales team. Training will be given as required. You should be a graduate, probably aged between 25 and 30, with financial experience.

We offer good opportunities for advancement as well as a competitive salary and benefits package.

To apply, please write to Kate Lewis, Senior Personnel Officer, Air Products PLC, Hersham Place, Molesey Road, Walton on Thames, Surrey, KT12 4RZ (Tel: 0932 2494787) quoting your present salary.

AIR PRODUCTS

INTERNAL AUDIT POSITIONS IN BANKING

We are an International Bank with operations in 73 countries. We are further strengthening our Internal Audit Division and for this, we invite applications from **Chartered Finalists** with good professional background and experience. The suitable applicants will be those who have enthusiasm and initiative and have an interest *in making internal auditing (in Banking) a long-term* career, are self-motivated and have the competence and the confidence to deal with all levels of management.

The positions are London based, but a considerable amount of travel is involved both within U.K. and abroad. The successful candidates will be working in a multi-national environment and should have good communication skills in dealing with different nationalities in different parts of the world.

The work involves operational audit of branches and other specialised activities including Merchant Banking, Foreign Exchange Dealings, Treasury functions etc.

Competitive remuneration package will be offered commensurate with age and experience.

Prior experience of Bank audit will be an advantage although not essential. Maximum age 30 years.

Please apply in confidence by Thursday 30 June 1988 at the following address enclosing a C.V. and a passport size photograph to:

Mr. M. G. Bough
Central Audit Division
Bank of Credit and Commerce International S.A.
100 Leadenhall Street, London EC3A 3AD

Financial Controller

S.E. London — Salary Package c.£25,000

Our client, is a small rapidly expanding construction company whose core business centres round the private development housing sector. They have enjoyed substantial growth over the past eight years and now wish to appoint a Financial Controller to develop and upgrade the existing financial systems, produce monthly management information and provide detailed budgets and long term forecasts on a regular basis.

Reporting to the Managing Director, and responsible for the small accounts department, the successful candidate will be a qualified Accountant who can demonstrate strong personal attributes and practical success in planning and managing the finance area in a growth situation. Good computer appreciation, systems development and sound commercial experience are essential requirements for this post as a Board position is envisaged in two to three years.

Interested candidates, who meet these demanding criteria, should send a detailed CV including current salary to Carol Jardine, quoting reference LM666, at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH. Tel: 01-480 7766 Ext 4440.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

Finance Director

South Coast c£34,000+Car

Our client is a £60m turnover subsidiary of a major UK plc in the advanced electronics industry. It is highly profitable, has a substantial future order book, and employs 1000 people. Future growth is expected through acquisitions and joint ventures.

Promotion of the previous incumbent has now generated the requirement for a Finance Director. Reporting to the young Managing Director, you will be responsible for a team of over 40 people through 4 departmental managers covering Finance, MIS and Site Services.

The role, however, is primarily orientated towards commercial business management, direction and strategy, working closely alongside the Managing Director.

To be successful in this role you will be a qualified accountant, probably in your early to mid thirties, with experience in a medium to large sized engineering or similar manufacturing company, preferably as a "number two" looking for the next step up. You will be ambitious, aggressive, and decisive with a "hands on", pragmatic style of management. You will also be able to demonstrate the ability and capacity to outgrow this position within two or three years, as this challenging and rewarding opportunity offers excellent career prospects.

If this is you, please submit your curriculum vitae to:
Wayne Thomas, Michael Page Partnership,
Executive Division, Kingsbury House,
6 Sheet Street, Windsor SL4 1BG.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

NEWLY QUALIFIED ACA

N. SURREY

£25,000 package

This innovative financial services group has plans to multiply its profits 6 fold in the next 12 months, both by acquisition throughout the UK and via new business development. Currently a subsidiary of a major financial institution, it provides advisory services in investment management, stockbroking, banking and financial planning for an impressive client base.

The company seeks to complement its existing finance team by recruiting for a newly created financial accounting role. This will involve responsibility for the investment management and banking activities of the business, in addition to other areas such as treasury management and systems development. Exceptional prospects for promotion will be linked to your personal performance, in conjunction with the success of the company's dynamic growth plans.

This position offers an exceptional opportunity to work with a young management team of the highest calibre. It is imperative that you possess a forceful and lively personality, coupled with demonstrable ambition. Aged 24-27, you will be a graduate Chartered Accountant and come from a major firm.

*For further details, contact **Fiona Birt-Llewellin** or **Leon Hawthorne** on **01-629 4463** (evenings & weekends **01-542 2159**). Alternatively write enclosing a curriculum vitae to the address below.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS
Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 01-629 4463

Managing Consultants

...advising the Banking & Finance Community

As a result of their continued growth, our client is seeking to recruit experienced Financial Management Consultants to continue the development of their established Banking & Finance division. As one of the market leaders in this field, their client base is to be envied, and the quality of their consultants is second to none. The prospects for partnership are excellent.

Edinburgh c£40,000+Car

Having successfully completed a number of assignments for Banking & Finance clients, there is now a need to set up a separate and specialised consulting group. This will therefore be a practice leader position and the successful candidate will not only manage but also sell consultancy work to senior client personnel.

London £40/£55,000+Car

The continued expansion of the division will entail cultivating client relationships and selling assignments. You must have the ability to direct, control and develop the consultant resources to our client's demanding assignment management standards and take a proactive role in the firm.

We are seeking qualified accountants with a banking and finance background who have had recent consultancy experience *(within the last two years). As well as being relevant to consultants* currently performing a managerial role, senior level consultants looking for their first move into management, or individuals wishing to return to consultancy having broadened their experience in a line role, will also be considered.

If you are interested in these opportunities, please send your curriculum vitae and daytime telephone number to **Paul MacIldowie ACA, 39-41 Parker Street, London WC2B 5LH,** quoting ref **515.**

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Internal Audit Manager

Excellent opportunity for a recently Qualified Accountant
Staines

Sony (UK) Limited is a leading company in the marketing of innovative and high quality domestic, professional and commercial audio visual products, with a turnover of £300 million.

The highly professional Finance Division takes a pro-active role in supporting the development of the Company. They now wish to recruit an Internal Audit Manager who must be capable of developing into other roles in the Division as part of its policy of planned job rotation.

Reporting to the Finance Director, your high profile role will be to ensure that effective financial and management controls are developed and maintained.

You will review the existing systems and procedures throughout the company in conjunction with the appropriate line managers, with whom you will be expected to build a close rapport.

Ideally, a qualified accountant with a training from one of the "Big 8" firms, you will also have the commercial ability to relate to the business. The post will suit someone recently qualified who has the motivation and disposition to move into a financial management role in approximately two years time.

Benefits, in addition to a competitive salary, include a fully expensed car, discount on purchase of company products, BUPA and contributory pension scheme.

Please telephone Barrie Whitaker on 01-387 7200 extension 4032 or write to him enclosing a full CV, quoting your current salary and reference number MCS/5107 at:
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London
SE1 9QL

Price Waterhouse

Newly/Recently Qualified Accountant

THE EXCITEMENT OF RETAIL THE BENEFITS OF BANKING

Kensington £24,000 + Car + Full Banking Benefits

A name synonymous with quality, reliability and style all over the world, and one of the most progressive worldwide service organisations ever. Our Europe, Middle East and Africa Regions alone boasts a membership base including some 2,500 Financial Institutions, and last year enjoyed a phenomenal 60% growth rate. An outstanding performance based on financial initiatives, professional commitment and commercial flair.

Further plans for expansion have now created a new influential position for a newly/recently qualified accountant who can match our ambition and drive. Reporting directly to the Financial Controller and managing a specialist accounts team, this pivotal role involves developing an overall view of the entire finance function and acts as a central source of expertise for senior management. You will also have the opportunity to travel throughout the region - enough to interest, not so much as to become a chore.

Career prospects are as unlimited as our growth potential, and an outstanding remuneration package includes a highly competitive salary, company car and a comprehensive range of banking benefits.

For further details of this rare opportunity, please write with full CV, to our consultant, Charles Austin at Mervyn Hughes International Ltd., Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Telephone: 01-488 4114. Please quote Ref: A154

MERVYN HUGHES

ALLIANCE LEICESTER

Estate Agents

FINANCE DIRECTOR (DESIGNATE)

Crawley £30,000 p.a. (Neg.)+Car

As you would expec. of one of the most progressive and successful Building Societies, the Alliance and Leicester is taking full advantage of the new business opportunities open to it. As a result, Alliance & Leicester Estate Agents Limited has been created; the first acquisition is complete and others are in the immediate pipeline.

Dynamic and ambitious growth plans demand a Finance Director in a similar mould to play a leading role in the evaluation and negotiation for other acquisitions and to ensure appropriate systems and controls facilitate their smooth transition into the Group.

You will be a graduate, qualified Accountant, 30-35 years, commercially experienced and aware, with a track record demonstrating flair, achievement and social/communication skills of the highest order.

The salary of £30,000 is negotiable for the right candidate and the company car is fully expensed.

If this challenge excites you, then please write with full career details quoting reference L/104/88 to Morag Lloyd.

KPMG Peat Marwick McLintock
Executive Selection
Arlen House, Salisbury Road, Leicester LE1 7QS. (0533) 471122

The Society for Worldwide Interbank and Financial Telecommunication (S.W.I.F.T.) is one of the fastest growing organisations in the banking community, transmitting around a million financial messages each day between its thousands of member banks through one of the most secure computer networks in the world. For our headquarters in La Hulpe near Brussels we are looking for a (m/f)

SENIOR EDP AUDITOR

The Chief Inspector is responsible to the Chief Executive and the Board for ensuring the security and reliability of the group's operations, including computer systems under development.

The requirement is for a Senior Auditor, reporting to the Chief Inspector, who will carry out system development audits over the group as a whole. His/her primary responsibility will be the ongoing audit of a major new world-wide network system being engineered by S.W.I.F.T. for bank message switching.

The group employs people from many nationalities around the world and there are thriving international communities at its three main locations.

The candidate will:
☐ be a high level specialist in computing, with at least five years' systems audit experience ☐ be an effective leader of small highly-specialised groups ☐ have the ability to communicate effectively at the most senior level in an international company ☐ have been educated to degree level, preferably with an additional business qualification ☐ be aged between 30 and 45.

Some international travel will be necessary, but this will not be excessive.

The official language of the group is English, but additional languages would be a distinct asset, as would experience gained in the financial sector.

A highly attractive salary package is offered which reflects the importance attached to this key position.

If you are interested, please send your written application, detailed curriculum vitae and photo to:

S.W.I.F.T. s.c. - Corporate Human Resources
Avenue E. Solvay 81, 1310 LA HULPE - BELGIUM.
All applications will be acknowledged and absolute discretion is guaranteed.

Appointments Advertising Appears on Wednesday and Thursday £47 s.c.c Premium Positions £57 s.c.c.

Financial Director

Food Processing South Midlands

c£45,000 plus car

Our client, the major subsidiary of a diverse, privately owned group, is a rapidly growing and highly successful food processing company with a turnover of £50m.

This is a newly created position reporting to the Managing Director and Group Chairman.

You will be required to review and up-grade existing systems and procedures, computerising where appropriate and improving financial disciplines where necessary. Part of the job will also involve working on special projects for the Chairman, providing financial advice, as well as consolidating the Group accounts.

Aged 30 to 45, you should be a Chartered Accountant with several years' experience in financial management in a sophisticated, process industry environment.

Some experience of working in a group accounting function would be beneficial. You must be able to display strong leadership qualities with a flexible approach to problem solving and an ability to motivate staff at all levels.

The starting salary is negotiable and the fringe benefits are excellent, including profit-related bonus, pension and relocation package.

Please write or telephone for an application form, or send a detailed CV to **D.J. Dewhirst** at the address below quoting ref: **PBM/2345/DJD.**

PA Personnel Services

Executive Recruitment • Human Resource Consultancy

6 Highfield Road, Edgbaston, Birmingham B15 3DJ.
Tel: 021-454 5791

FINANCIAL DIRECTOR

up to £35,000

We seek an outstanding manager to direct and control financial matters in the successful, £20m engineering subsidiary of a large British plc. The business is complex, expanding fast and the initial emphasis of the job will be to develop systems and the infrastructure to maintain growth at 30% p.a. for four years.

Candidates, aged at least 30, will not only be professionally qualified graduates with an excellent track record in financial management but also businessmen or women of very high calibre. *Experience of the manufacture and sale of capital equipment and of engineering contracting would be helpful.*

Salary is negotiable and the benefits package attractive. Career development prospects are excellent. Location is a pleasant part of the South East.

Candidates please write, in confidence, giving details of age, qualifications, experience and present earnings quoting Ref. 1030. No information will be divulged to our client without your prior permission.

CB-Linnell Limited
7 College Street, Nottingham NG1 5AQ.
SEARCH & SELECTION CONSULTANTS
NOTTINGHAM · LONDON

GROUP CHIEF ACCOUNTANT - FINANCIAL DIRECTOR
NEW FOREST, HAMPSHIRE

Privately owned successful manufacturing company *franchising the supply and application of its products* nationwide requires Chartered Accountant with general management experience to take control of the company's financial accounts and forward financial planning leading to USM or full flotation in 1989/1990.

There are several companies within the group and the successful applicant must be ambitious and have the necessary background and leadership qualities to take control of the financial aspect of the companies whilst playing a major role in the management team.

This position will be suited to a person already holding a senior position, between the age of 35 and 45. It will attract a substantial salary and profit sharing scheme.

Write in complete confidence enclosing C.V. and preferably a photograph, marked Private and Confidential:-

Box A0921, Financial Times, 10 Cannon Street, London EC4P 4BY

APPOINTMENTS ADVERTISING

Appears every Wednesday and Thursday

FINANCE DIRECTOR

City £35,000+benefits+car

Our client is a Lloyds broking company within a well established City based group, which has diversified insurance and financial services operations.

The initial responsibilities of the post will include the coordination of accounting activities to report stage, actively monitoring the day-to-day procedures and controls of the firm. The incumbent will also be responsible for advising the Board on the interpretation of accounts, and for financial issues affecting acquisitions, capital reconstruction and I.B.R.C. *applications.*

It is envisaged that the successful applicant would assume, in due course, directorship duties for the whole group.

Candidates should be qualified accountants aged between 35 and 40; having previous accounting experience within the insurance sector. In addition to recognised accounting ability the position requires someone with business acumen who is *able to communicate options* positively and succinctly.

Please send career and personal details, quoting reference F/388/E to Denis Evans.

EW Ernst & Whinney
Management Consultants
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Financial Accountant

A key role in broadcasting communications
Central London
c£30,000 + Bonus + Car

The company, formed by a *consortium of leading public companies* and communications groups, is at the forefront of broadcasting developments. It is currently implementing strategies for growth which will give it a dominant position in its market and a new position has been created to assist this process *by helping develop the necessary* financial infrastructure.

The role will be exacting and challenging. Working closely with the Financial Controller you will be developing appropriate financial systems and controls to cope with the *massive envisaged growth, preparing* financial accounts and developing the management information process.

You will be a graduate chartered accountant, ideally aged in your late twenties/early thirties, having gained 'hands on' financial accounting *experience in a progressive, commercial* environment. Experience in a start-up or in assisting a company prepare for flotation with a working knowledge of all Stock Exchange requirements is essential. Above all we are looking for an exceptionally able *accountant who can remain positive,* clear thinking and innovative in a rapidly expanding, fast moving environment.

Please write in confidence enclosing a full CV and salary details quoting reference MCS/2018 to *Christopher Bainton at:*
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

VICE PRESIDENT + DIRECTOR, AUDIT
CITY

To £60,000 + Car
Bonus + Benefits

EXECUTIVE SELECTION DIVISION

A rare opportunity to join a major financial force in a highly visible role. This US bank has reported record profits for the first quarter of 1988, and has an established *record of earnings growth. It offers a broad range of* products including merchant banking, specialised financial services, corporate finance, commercial banking and international stockbroking services. The Company is in a strong position and well poised to take full advantage of prevailing market conditions.

This high profile position carries full directorial *responsibility for overall operational and technical audits* in Europe and the Far East. The nature of the role requires liaison with the highest levels of management throughout the organisation in order to advise on matters of security and control, and discuss strategic developments. The travel content is likely to be 25-30% in order to provide the basis of effective relations with the management of audited areas, and to effectively administer audit activities.

Suitable candidates will understand the appropriate measure of tact, diplomacy and positive aggression to be utilised in each given situation. A proven managerial record over 4 years in an international merchant banking or stockbroking environment, an intelligent and original approach as well as a lucid thought process are necessary *qualifications. Aged to 40, and possessing an ACA. Only* candidates offering the highest calibre of all requirements should apply.

To discuss this position in further detail, contact ***Harsa Savjani on 01-629 4463****, alternatively write to her at the address below quoting Ref HS124.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS
Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 01-629 4463.

BLUE CHIP OPPORTUNITIES WITH TOP BRITISH COMPANY

NORTHERN HOME COUNTIES ***c£30000 (including Car)***

PRIVATE AND CONFIDENTIAL	* Forward planning coupled with the need to preserve confidentiality prior to several very important business ventures means that our client's identity cannot be revealed at this point in time.
THE COMPANY	* A household name company which forms an integral part of an internationally famous British Group.'
	* A recognised leader in a highly dynamic and competitive market place; turnover approaching £1 Billion.
TWO SENIOR POSITIONS	* **FINANCIAL CONTROLLER** of a newly formed subsidiary. Responsibilties are self-evident.
	* **SENIOR FINANCE MANAGER** - analytical skills and commercial awareness are as important as business acumen in this new appointment.
THE REWARDS	* *Excellent career opportunities and big company benefits in addition to the package quoted.*
ONLY APPLY IF	* You genuinely wish to accelerate your career ambitions and if ....
	* Your track record clearly shows a high level of achievement as both a manager and as an accountant.

ALL ENQUIRIES WILL BE ACKNOWLEDGED PROMPTLY AND WILL, OF COURSE, BE TREATED IN THE STRICTEST CONFIDENCE. CVS, *WHICH SHOULD INCLUDE CURRENT SALARY TO:*
BOX A0919, FINANCIAL TIMES, 10 CANNON STREET, LONDON, EC4P 4BY

Financial Director (and Company Secretary)

Circa £20,000 plus a car

and generous relocation package

Following the restructure of the Administration and Finance Division, *there will soon be a vacancy for a Financial Director who will also take on* the duties of Company Secretary, in this substantial Bus and Leisure Travel Company.

Reporting to the Managing Director, the successful applicant will be part of a progressive management team. Responsibilities in this challenging *position will include financial and administrative functions, advising on* existing business and planning for possible diversification.

We would expect applicants to be qualified accountants, (ACA, ACCA, ACMA, CIPFA) and to display corporate management skills, self motivation, the ability to work to tight deadlines, and ideally, experience in either the *Public Passenger Transport Industry or similar service environment.*

The City of Hull itself, is undergoing a dramatic renaissance as a result of considerable investment. New businesses are relocating to the area, an exciting programme of redevelopment is underway, with a spectacular Marina and pedestrianisation of the inner shopping zone already completed. Housing and living costs are comparatively low, and the surrounding coast and countryside offers a wide scope of leisure pursuits. This could be the backdrop to a stimulating and rewarding career.

Apply in writing to:
Mr K J Bastow, Managing Director, Kingston-upon-Hull *City Transport Limited, Lombard Street, Hull HU2 8QN.*

KHCT Kingston upon Hull City Transport Ltd.
Serving the community

UNIQUE PROSPECTS...

RECRUITMENT CONSULTANCY MANAGER – INDUSTRY/ COMMERCE

Very substantial base salary
Quality car
Generous profit share
Directorship prospects
Equity potential

...can only exist within a company able to harness fully an individual's experience and potential at a specific moment in time. We are just such a company with the reputation, resources and commitment to attain ambitious corporate goals.

As an integral part of our current business plan, we seek a mature professional, probably aged 28-33, with an impressive track record and substantial *management experience in accountancy recruitment* consultancy. Intellect and commercial/marketing skills are essential, as are a participative management style and outstanding personal motivation.

Initially, you will take profit responsibility for the management and expansion of an established team handling senior level appointments. Later, you will be instrumental in establishing a regional focus for the Company in the South East generally; this will entail, inter alia, setting up new offices. You will also be expected, from the outset, to participate actively in the Company's management team, which determines both policy and strategy.

We think this a unique opportunity, whether viewed in the context of your present environment or elsewhere. If you are inclined to agree, please telephone me, John Constable, Director, on 01-549 5519 (evenings/weekends) for a mutual exchange of information. Naturally, absolute confidentiality is guaranteed.

RECRUITMENT SELECTION & ADVERTISING
EXECUTIVE CONNECTIONS
43 Eagle Street
London WC1R 4AP Tel: 01-242 8103

APPOINTMENTS ADVERTISING

For further information call 01-248 8000

Tessa Taylor ext 3351

Deirdre Venables ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

Commercial Director
(Media & Communications)

Central London to £40,000 + Car

This successful group of companies which specialises in selling advertising on behalf of press and broadcasting media on a national basis, seeks a Commercial Director with strong management skills to instil sound financial and management controls, and head further business development.

Reporting to the Chairman, you will be responsible for business planning, systems development, management information, statutory accounting, and *will play an active* role in acquisitions and strategic issues.

Candidates, aged between *28* and *40, who are qualified* Accountants and can demonstrate strong commercial awareness, general managerial skills and sound technical skills, are invited to apply. The ability to function at a strategic level in a fast moving environment is as important as being able to apply practical skills at an operational level.

The remuneration package and career prospects will not be a problem for candidates with flair, and will include an executive car and non-contributory pension scheme.

Interested candidates should write to Andrew Sales, FCCA, enclosing a comprehensive curriculum vitae, details of current remuneration and a daytime telephone number, *quoting reference LM043 at Spicers Executive Selection,* 13 Bruton Street, London W1X 7AH.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

FINANCE DIRECTOR

LLOYDS REINSURANCE BROKER

City from £45,000 + car + bonus

Our client, a well established and successful international reinsurance broking group, requires a finance director for its main operating subsidiary. Opportunities for promotion to a group position are expected to arise during the next five years.

Initially, the task is to provide a wide ranging financial management service combined with a full company secretarial service to the UK company, reporting to the group finance director. Computer systems are under separate management but the finance director will be responsible for their development within the finance sector.

Applicants for this position must be chartered accountants, probably in their late 30's, with experience to at least controllership level in a successful insurance or reinsurance broking company. An attractive initial package is offered and there are excellent opportunities for future career development in the group.

Please address brief personal and career details to Douglas G Mizon quoting reference F/398/M.

Ernst & Whinney
Executive Recruitment Service
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

ACCOUNTANCY APPOINTMENTS ALSO APPEAR ON PAGES 10 & 11

Senior F/X-Dealer
Frankfurt

Our client is one of the world's largest and most reputable banks. For their expanding Frankfurt subsidiary the bank is looking for a senior spot dealer covering Dollar/DM tradings.

In addition to several years of experience in F/X-dealings the successful candidate should be able to communicate in English and German with an ideal age between 25 and 35.

An attractive compensation package (up to DM 150,000 p.a.) and the career opportunities of an international operating bank will be offered.

Please address your application - in English or German - to:

PMM MANAGEMENT CONSULTANTS GMBH
Grosse Gallusstrasse 10-14, D-6000 Frankfurt 1
Tel: (069) 21 64 308

Group Financial Controller

Kent — **£35,000 + exec car**

Our client is a rapidly expanding plc with operations in the UK, USA and Canada. Over the last few years its strategy has been to acquire companies in related businesses and it now manufactures a comprehensive range of specialist defence equipment. With a turnover of over £100m, much of which is exported, it is now well placed to increase its markets in Europe, the Middle East and Far East.

Following an internal promotion a strong Group Financial Controller is required to manage the central finance and accounting function. The role will involve systems enhancement and development to keep ahead of the company's rapid growth; investigation of potential acquisitions; and full responsibility for the group treasury function. The Group Financial Controller will also be responsible for the co-ordination of all group accounting and management information and will report to the Group Financial Director.

This key position demands a commercial, forward-looking approach coupled with strong technical skills. The incumbent must have a good understanding of consolidations, group budgeting and reporting and computerised management information systems. Candidates must have well developed interpersonal skills in order to be a credible representative of the group finance function.

A salary of around £35,000 is offered together with an executive car, non-contributory pension and private medical insurance. Share options could be made available in due course. Relocation expenses would be paid if necessary.

Please write in confidence to Jane Woodward, at the address below, enclosing full career details and quoting reference SHA. 1127.

Stoy Hayward Associates
MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON W1M 1DA
A member of Horwath & Horwath International

The Leeds Castle Foundation

a charitable organisation, which owns Leeds Castle, Maidstone, Kent, a premier conference centre and third most visited stately home in England, with supporting service outlets, invites applications for the post of

FINANCIAL CONTROLLER

The successful candidate will be a Chartered Accountant and have at least five years experience at management level, preferably associated with the hotel/leisure/retail sectors. He/she will report to the Managing Director of Leeds Castle, and will have responsibility for the total finance function. The job will be based at Leeds Castle. Experience in computerised accounting is required. Impeccable references are essential.

Remuneration will be based on individual suitability and experience, but will be commensurate with the seniority of the position and not less than £25,000 per annum.

Application, with Curriculum Vitae in strictest confidence, to:

Graham Jackson,
Managing Director,
Leeds Castle Enterprises Ltd,
Leeds Castle, Maidstone, Kent ME17 1PL

LEEDS CASTLE: MAIDSTONE: KENT

Closing date for receipt of applications 8 July 1988

MANAGER ACCOUNTING & ADMINISTRATION - £20,000

Qualified or possibly part qualified professional to be fully responsible for all Accounting, Client Reporting, Internal and Administrative matters of a Portfolio Management company engaged in Global Asset Management. Good working knowledge of computerised systems and reporting required. The ideal candidate will play a key role within a small team.

Salary and benefits in the region of £20,000 plus performance bonus. London, Mayfair location.

Please reply to Box A0920, Financial Times, 10 Cannon Street, London EC4P 4BY enclosing curriculum vitae.

Accountant

LONDON
Up to £30,000

Our client is a wholly-owned UK subsidiary of a long-established Japanese company trading in a diversified range of goods and services on a worldwide basis. The company is now seeking a qualified accountant to take up the post of Assistant Manager in the General Accounting Department. Responsibilities will include divisional accounting for a number of trading activities, management reporting and advising affiliated companies in relation to accounting and taxation matters.

The selected candidate will hold a recognised qualification in accountancy and will have sound knowledge of international trade and corporate taxation. Ideally he/she will have gained hands-on experience within a trading company. The ability to adopt a flexible, shirt-sleeves approach is essential.

Please send a comprehensive career résumé including salary history and daytime telephone number, quoting reference 2939, to Philip Nourse, Executive Selection Division.

Touche Ross
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB.
Telephone: 01-353 7361.

A STRATEGIC ROLE IN FINANCIAL SYSTEMS AND PLANNING

East Midlands — **to £23,000 + car**

A major division of an internationally renowned plc, our client is a subsidiary of one of Europe's largest textile groupings. In pursuit of excellence, their business focus is to maximise competitive advantage and, hence, profitability. As an integral part of this process, they have recognised the need to develop new and sophisticated financial systems to keep pace with the growth in current operations, and to improve the quality of management information.

A new role has been established to spearhead this important programme. The prime objective is to make a significant contribution to improving levels of service. You will provide a crucial link in communicating systems changes throughout a complex organisation, and ensuring that they are supported by a comprehensive training plan.

Success requires a personable, computer-literate, qualified accountant with the tenacity to achieve results in this fast-moving environment. With the ability to communicate and implement new ideas, you will provide a powerful personal input to systems development.

The breadth of involvement and seniority of your contacts will provide an excellent preparation for future promotion.

Please contact Lawrence Barnett quoting ref. no. B175.

ASB RECRUITMENT LTD
Eagle Buildings, 64 Cross Street, Manchester M2 4JQ Tel: 061-834 0618

TORONTO CANADA

Newly Qualified ACA's to 5 years PQE

- Entrepreneurial client base
- Highest quality training and technical standards
- Excellent remuneration benefits and career development opportunities

Visiting Partners from a highly prestigious national practice in Canada, listed as the only C.A. firm in "100 best companies to work for in Canada", will be visiting the U.K. on the 7th/8th July to interview at our offices.

Individuals should possess up to 5 years post qualification experience in Public Practice and be committed to providing comprehensive audit, accounting and tax services to a full range of clients.

Application, ability to work under pressure and the will to succeed are important individual characteristics.

For further information please telephone **Gary Johnson or Geraint Evans on 01 836 9501 (24 hours) or contact your nearest office.**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS

LONDON 410 STRAND LONDON WC2R 0NS TEL 01 836 9501 · GLASGOW 163A BATH STREET GLASGOW G2 4SQ TEL 041 226 3101 · MANCHESTER BROOK HOUSE 77 FOUNTAIN STREET MANCHESTER M2 2EE TEL 061 236 1553 · BIRMINGHAM CAVENDISH HOUSE 39 WATERLOO STREET BIRMINGHAM B2 5PP TEL 021 233 4421 · EDINBURGH 43 GEORGE STREET EDINBURGH EH2 4JN TEL 031 225 7744

Financial Controller

Career opportunity with fast growing PLC

c £23,000 plus car and benefits
SW London

A dynamic and fast growing property development company operating mainly in the South East, our client wishes to recruit an equally dynamic Financial Controller to develop and grow their accounts department.

Reporting to the Commercial Director (main board member) the Financial Controller will be responsible for further refining control and monitoring systems for all the company's activities. A good working knowledge of computerised systems is essential as are well developed management and negotiating skills.

This is a growing role, ideally suited to a young (26-30 year old) graduate chartered accountant who seeks challenge and involvement at a grass roots level coupled with prospects of further rapid career advancement.

Those interested should write enclosing a full CV stating current salary and benefits and quoting reference MCS/1049 to: Michael Madgwick
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

Group Financial Controller

Home Counties

c £30,000
+ Bonus + Car

This is a key senior appointment with a large and successful £140m turnover group involved in a variety of construction, civil engineering and quarrying activities throughout the UK. In order to assist with future planned growth and expansion, they are now looking to appoint a Group Financial Controller to play an important role as part of the small central management team.

The job holder will assume overall responsibility for the control of the accounting function at the Group head office. Working closely with the Group Financial Director, you will ensure that the necessary financial monitoring and control systems operate effectively in order to advise senior management of important financial or operational issues.

Specific duties will include the preparation of statutory accounts; consolidation and preparation of monthly accounts; budgeting and forecasting; investment appraisal; treasury and banking; and tender review.

Candidates aged in their early 30s should be qualified accountants with a broad range of financial and management accounting experience, ideally gained in a line accounting role. Experience in a contracting or project management environment and familiarity with computerised accounting packages will also be required. Equally important will be the flexibility, ability and personality to work under pressure as part of a team.

The attractive remuneration package will include a company car, private health insurance, and relocation assistance, where appropriate.

Applicants should write in confidence to Stephen Bailey, P-E Inbucon Ltd, Executive Search and Selection Division, 692 Warwick Road, Solihull, West Midlands, B91 3DX with a comprehensive CV, or telephone 021-704 2212 for an Application Form quoting Ref. E2172.

P-E Inbucon
Search & Selection

Established Sussex Coast Business

Financial Controller

Board Potential

This well established and successful sub-contractor and manufacturer with an £8m turnover has developed rapidly to become a market leader in its field and now employs nearly 300 staff. Operating from its Head Office in Sussex and from the West Midlands, it now seeks to appoint a Group Financial Controller to join the senior management team.

Reporting directly to the M.D. and supported by a small accounts team, you will have total responsibility for all accounting and administrative functions for the three group companies, including the development of computer based management information systems. You will expect and be encouraged to play an active role in the general management and future development of the business.

A qualified accountant, probably in your mid 30's, you already have good industrial experience and have previously developed computer systems. You will have excellent communication skills, a keen commercial awareness and will be excited by the prospect of influencing policy at the highest level.

A competitive salary is supported by a range of executive level benefits. Prospects for promotion to the Board will depend upon success in the post.

To apply, please write in the strictest of confidence to Harold Jones, Cripps, Sears & Partners, International Buildings, 71 Kingsway, London, WC2B 6ST.

Cripps, Sears

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday June 16 1988

Bank of New York raises Irving Bank bid to $1.4bn

BY ANATOLE KALETSKY IN NEW YORK

BANK OF NEW YORK yesterday increased by about 10 per cent the value of its takeover bid for Irving Bank, its large Wall Street rival.

But after a seemingly inconclusive 40-minute meeting between the chairmen of the two companies, no end appeared to be in sight in the gruelling nine-month battle over the future of Irving.

Irving's only response to the complicated new offer, which BNY valued at $76.53 a share or a total of $1.4bn, was to say that the board would consider it at its next scheduled meeting next Thursday. Banca Commerciale Italiana, the second-largest state Italian bank which emerged as a white knight to counter BNY's hostile bid, had no comment.

However, arbitrageurs on Wall Street believed that BCI might be forced to match BNY's offer if its friendly proposal to buy a majority stake in Irving was to retain any credibility with shareholders.

Yesterday's new bid from BNY consisted of four separate payments. The bank is proposing to exchange each Irving share for 1.675 shares of BNY (compared with its previous offer of 1.575 BNY shares) plus $15 in cash (the same as before).

In addition BNY is now offering to pay Irving shareholders a special dividend of $2.50 a share just before its takeover is completed and to issue warrants which will be worth up to $2.50 a share, based on the gain realised from selling Irving's headquarters building at Number One, Wall Street.

Irving's shares jumped $3⅝ to $69⅝ yesterday morning after the new bid was announced, while BNY declined by $⅞ to $32⅞. At this BNY share price, the new offer was worth between $72.57 and $75.07, depending on the payout from the Number One Wall Street sale. BNY's previous offer would have been worth $66.78.

The rival bid from BCI is equally complex and even harder to evaluate. BCI is offering to buy 51 per cent of Irving for $80 a share in cash and then pay a special dividend of $10

Wall Street analysts have put the value of this proposal at anything from $60 to $73, depending on what price is assumed for the outstanding 49 per cent of Irving and how much of a discount is factored in for the time BCI will require to complete regulatory formalities.

Neither BCI nor Irving appeared to be in any hurry to respond to BNY's new offer because the outcome of the battle will be determined as much by complex legal manoeuvres as by the sums of money on the table.

Clore stages final exit as head of KaiserTech

By Louise Kehoe in San Francisco

MR ALAN CLORE'S ill-fated involvement in the US aluminium industry ended yesterday when the British financier, son of the late Sir Charles Clore, resigned as chairman of KaiserTech.

Mr Clore sold his holdings in KaiserTech, the West Coast concern known formerly as Kaiser Aluminum, to Maxxam Group, a subsidiary of MCO Holdings.

He had obtained a major stake in the company last year and assumed the chairmanship of the company. He was forced to sell some of his stock, however, after losses in last October's stock market crash.

The company signed a definitive merger agreement with Maxxam last month after a bitter battle between Mr Clore, who attempted to nominate Maxxam representatives to the KaiserTech board, and KaiserTech managers, who aimed to gain control of the company through a leveraged buyout bid.

The investment group agreed to pay about $850m for about 36m shares in KaiserTech.

Maxxam already held a 16 per cent stake in the company, which it acquired from Mr Clore and his creditors earlier this year.

KaiserTech said yesterday that Mr Clore had resigned as chairman and as a director following the sale of the remainder of his stockholdings. Another director, Mr Guy de Chabaneix, an associate of Mr Clore, had also resigned.

Mr Barry Munitz, vice chairman of MCO Holdings and Mr C.V. Wood Jr, assistant to the chairman of Lorimar Telepictures, have been elected to succeed Mr Clore and Mr de Chabaneix on the KaiserTech board. The board, however, has not selected a chairman.

Hay Davison to head unit of Credit Lyonnais

By David Lascelles in London

MR Ian Hay Davison, former chief executive of Lloyd's of London, has been appointed chairman of CL-Alexanders Laing & Cruickshank, the London investment banking arm of Crédit Lyonnais, the French bank.

Mr Hay Davison, who has just completed a seven-month inquiry into the Hong Kong stock exchange, will take up his position on September 1.

Mr Jean-Maxime Lévêque, the chairman of Crédit Lyonnais, said in Paris: "We are all delighted Mr Hay Davison has accepted this appointment. His arrival will be a very considerable asset to the group."

Mr Davison succeeds Mr John Barkshire who agreed to stay on temporarily as chairman.

Hong Kong time bomb, Page 20

Ottawa reconsiders reform to trust law

BY ROBERT GIBBENS IN MONTREAL

CANADA'S Federal Government has given in to pressure from Quebec and is reconsidering its proposed regulations for trust company ownership.

Mr Tom Hockin, Minister of State for Finance, said the Government's new Trust and Loan Companies Act, expected to be tabled this week, would be delayed until mid-July or much later. The four Western provinces are now supporting Quebec in opposing certain parts of the revised act.

Ottawa wants to apply strict ownership rules on federally incorporated trust companies where they are controlled by financial conglomerates which have commercial or industrial affiliates. It aims at avoiding conflicts of interest or "self-dealing."

The majority ownership of Canada Trustco by Imasco, of Royal TrustCo by Trilon Financial and the Brascan industrial group, and of Montreal Trust indirectly by Power Corporation of Canada, are examples.

Quebec and the other provinces want to allow unrestricted ownership of trust companies by such conglomerates as part of financial services deregulation. They say diversion of trust company deposits to finance the conglomerates' other activities is nothing more than a supervisory problem.

Three-quarters of the country's trust companies are provincially chartered, but 80 per cent of their assets come under federal regulation because the few really large companies are federally chartered.

Maggie Urry looks at a Swedish company on its 700th birthday

Stora remembers its ancient roots

"A COMPANY which has already existed 700 years has a better chance than others to make another 700." So says Mr Bo Berggren, president and chief executive officer of Stora, which today celebrates the 700th anniversary of the first documented purchase of a share in the company. Stora claims to be the world's longest established company in which shares can be traded.

When the local bishop, Peter of Västeras, bought a one-eighth share in the company in exchange for an extensive estate, he was taking a stake in Stora Kopparberget – the great copper mountain – at Falun, in central Sweden.

It was already a thriving copper mine, and some archaeological evidence suggests that copper was produced there 200 years or more before the 1288 share transaction. Today's celebrations centre on a meeting of more than 6,000 shareholders, as well as guests including the King and Queen of Sweden, at the bottom of the "great pit," which is open to the air.

From those roots Stora has become one of the three largest forest products groups in Sweden. It originally took huge forest holdings to provide wood for the mine and later its iron and steel business, developed in the mid-17th century.

In the 19th century wood was replaced both in the mines and iron and steel business, and Stora moved into first sawmills and then pulp and paper-making to make use of its forests. It also went into developing hydroelectric power plants.

The company's history has changed from evolution to revolution in recent years. The steel interests were sold in the 1970s, and since Mr Berggren took charge in 1984 there have been three major acquisitions: Billerud, Papyrus and, this year, Swedish Match.

He says the first two deals were necessary for Stora to become correctly structured as a pulp and paper business, with the mills interrelated.

Mr Berggren then felt the group was mature enough to take on a new business. A sale and leaseback of the power business "gave us the financial resources to do what we wanted," he says.

Pulp and paper is very capital intensive, sensitive to business cycles and not fast growing. Mr Berggren wanted to buy something that would counterbalance those characteristics – hence the purchase of Swedish Match for SKr5.9bn ($972m), which will take Stora closer to the consumer.

Exactly 700 years ago when the local bishop bought a stake in a mining company in central Sweden he had no way of knowing that the company would survive until today. In those days the copper mine that comprised the company was a thriving operation and today 6,000 shareholders in the company, one of Sweden's three largest forest groups, will meet to celebrate at the site of the "great pit".

Swedish Match is a customer of Stora in the packaging and timber areas, but it adds products such as Wilkinson Sword's shaving equipment to the portfolio and also strengthens Stora's presence in the European Community and around the world, an important consideration given the relatively small size of Sweden's domestic economy.

"In 1983 pulp and sawn timber, the really cyclical parts of Stora, had 48 per cent of sales. After Swedish Match that is down to 10 per cent, and a much more stable 10 per cent at that," Mr Berggren explains.

As for the next 700 years, he says, he cannot tell what Stora will be doing. "The pace with which the world is developing is such it is even difficult to tell what we will be doing in 70 years or seven."

The mine, which once supplied two-thirds of Europe's copper, is now of small importance to the company in financial terms, although, as Mr Berggren says, "it's a tremendous asset from another point of view – a source of inspiration."

Even away from Falun the mine cannot be forgotten because a shade of paint, called Falun red, made as a by-product of spoil from the mine, coats virtually every house in the area and many beyond.

When Mr Berggren became president ore reserves were running out. He recalls that he ordered the mine management to find more. Gold was discovered and production started earlier this year. Mr Berggren says: "I will not be the president of Stora who closes that mine."

American Stores gloomy

BY OUR NEW YORK STAFF

PROFITS at American Stores, the largest US supermarket chain following its recent $2.5bn takeover of Lucky Stores, will be severely depressed for the remainder of this year because of the cost of financing the deal, the company has warned.

Mr L.S. Skaggs, chairman, told the annual meeting in Salt Lake City that the $2.5bn the company borrowed to finance the takeover would take its toll. "The interest expense is sizeable and while I can't be specific at this time, I can tell you I expect earnings to be dramatically reduced for the remainder of 1988."

For its previous full fiscal year ended January 31, American reported net profit of $146.6m, or $3.94 a share. It earned $2.04 a share in the second half. Profits for this year's first quarter ended April 30 slipped to $27.1m, or 69 cents a share, from $35m, or 92 cents a year earlier.

Mr Skaggs said he and Mr John Lillie, who previously headed Lucky, remain convinced of the "significant synergism and savings" from the takeover.

After vigorously fighting the bid by, for example, trying to arrange a leveraged buyout, Mr Lillie accepted the role of bringing Lucky's low-price strategy to American's Alpha Beta division.

"We have chosen to operate the company not for short-term gain but rather for the good of our shareholders over the long term," Mr Skaggs said. He expects profits to begin to recover next year.

Aveling Barford for sale

BY NICK GARNETT IN LONDON

RECEIVERS were sent in yesterday to Aveling Barford, one of Britain's oldest manufacturers of construction machinery, following the company's failure to stem losses during a long period of decline.

The company employs 820 people and makes a range of equipment including dump trucks, road rollers, motor graders and wheeled loaders. It had sales last year of £30m ($53.4m).

Mr John Talbot of accountants Arthur Andersen, appointed as receivers by Aveling's bankers, said the company would continue trading. The intention was to sell it as a going concern.

Several companies yesterday expressed interest in purchasing some or all of Aveling. The general view in the construction machinery industry was that a buyer, probably Japanese or South Korean, would be found.

Daewoo of Korea has indicated that it would like a production site in Europe while Kawasaki of Japan recently negotiated a joint venture with Aveling under which the British company is manufacturing some Kawasaki products under licence.

Aveling, which only seven years ago employed 2,000 people, is believed to have made a loss of £3m in 1986 following a profit of £400,000 the previous year. Its management expressed the hope early last year that it would be back in the black in 1987.

This did not happen despite a buoyant domestic market.

Financial Times Thursday June 16 1988

INTERNATIONAL COMPANIES AND FINANCE

Sceptics question the Government's will to introduce changes urged by Hay Davison, writes **Kevin Hamlin**

Hong Kong authorities juggle with reform time bomb

JUST TWO weeks AD – after Davison – Hong Kong's securities industry remains in vigorous debate about the merits of wide-ranging proposals for reform while waiting to see how much, and how fast, these are put into effect.

Mr Ian Hay Davison, whose government-appointed committee delivered its report with an emphatic message that fast implementation was imperative to restore international investor confidence in Hong Kong, has left the colonial authorities holding a time bomb.

The extraordinary four-day closure of the stock exchange and the HK$2bn (US$256.4m) collapse of the local futures exchange last October brought disrepute and ridicule on Hong Kong's securities markets.

Mr Hay Davison was subsequently hired to head a committee mandated to recommend reforms for the territory's securities markets and regulatory authorities.

This he did with a warning that delayed implementation could be fatal for the development of the territory's securities markets.

"Hong Kong must show a sense of urgency. Confidence is on the way to being restored, but our report shows people around the world were very troubled by what happened here," the former chief executive of the Lloyd's of London insurance market stated emphatically after the release of the report a fortnight ago.

But international securities houses, almost euphoric at the sweeping recommendations for reform, fear the colonial administration has insufficient political will to speed through the proposed changes.

As time passes, they see an increasing danger that reforms will be watered down and that international investors will become even more disillusioned than they already are with Hong Kong.

Mr Hay Davison said the recasting of the stock exchange committee – to give representation to co-opted lay members as well as to corporate members, the large and mainly foreign institutions which account for almost 60 per cent of daily market turnover – should be completed during the summer.

But Mr David Nendick, Secretary for Monetary Affairs, says the Government will not indicate its intended course of action until the end of July, and suggests only that legislation could be enacted by the end of the year.

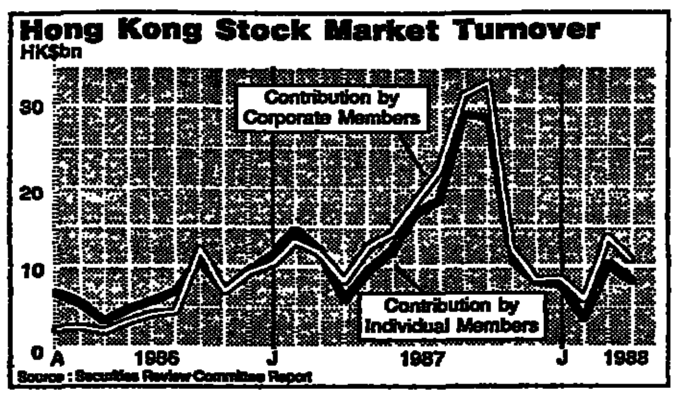
The exchange has, meanwhile, indicated that changes imposed by force on its members would not bode well for Hong Kong's future self-regulatory market.

It clearly hopes it can encourage the 75 per cent support of its members needed in a vote on the proposals made by Mr Hay Davison's committee, thus sidestepping the need for legislation.

Some foreign brokers, noting that membership is dominated by local brokers who in the past held sway over the exchange's operations, feel that is wishful thinking.

Foreign houses are already growing impatient for action. Mr Peter Lord, managing director of the London-based Hoare Govett, says: "Hay Davison indicated some changes should be implemented almost immediately, but the Government hasn't indicated it's about to race at it. We want the momentum kept up."

Local brokers, stung by Mr Hay Davison's pronouncement that members of their fraternity had in the past run the stock exchange as a private club, remain unconvinced that wholesale changes are necessary.



Mr Henry Wu, chairman of the Hong Kong Stockbrokers Association, summarises the views of many. "The report is too idealistic. It tells you that you should have a dream boat, a dream car or dream girl, but it doesn't tell you how to get that dream thing."

Mr Hay Davison will not be surprised at opposition to his recommendations. He described Hong Kong as a place "absolutely stuffed with vested interests," and anticipated the emergence of a power struggle to block the implementation of various reforms. His view was that the Government must sweep these factions aside.

The committee termed the exchange's settlement system "one of the most controversial" issues it had to deal with. It recommended a switch from the existing 24-hour arrangement, in practice largely ignored in the past, to a three-day rolling settlement.

Mr Hay Davison acknowledged that three days was a sop both to local brokers, who violently oppose extending settlements, and foreign houses, which need five to seven days comfortably to conclude international trades that may originate from different time zones.

For those reasons, he proposed the three-day settlement together with the introduction of stock lending and the creation of a stock exchange-sponsored central guarantee.

That has not appeased everyone.

According to Mr Richard Margolis, managing director of corporate finance at Smith New Court, another UK stockbroker: "It's going to be virtually impossible to get a smoothly operating system of stock borrowing running in the near future, whereas a five-day settlement system, which would probably cover 90 per cent of trades, could be done quite quickly."

Foreign brokers see stock borrowing becoming a routine part of international trading if three-day settlement is introduced, and suggest the Government should prevent such a situation arising.

"For the regular settlement of trades, stock borrowing should be the exception rather than the rule," says Mr Margolis.

Local brokers, who are nervous of greater counterparty risk caused by an extension of 24-hour settlements, also suggest Mr Hay Davison should have avoided this system.

Mr Wu says the stockbrokers association will be proposing "some other ideas" to the exchange which he hopes will prevent a move away from the current 24-hour settlement period.

The committee's report, anticipating this opposition, said local brokers should get to know their clients better and be more stringent in demanding deposits.

But while many international brokers are dissatisfied with the three-day compromise proposal, others privately indicate a willingness to compromise in the interest of rebuilding harmony with local stockbrokers.

It is this that probably prompted Mr Hay Davison to opt for the three-day route.

While a formal submission from international brokers to Mr Hay Davison's committee requested five-day settlements, at least one signatory privately told Mr Hay Davison that three days would be acceptable. Says the head of another large brokerage with a high proportion of international business: "We are not that anti three days."

These brokers point out that the introduction of a central clearing system at the stock exchange, though probably two years away, will reduce problems of counterparty exposure – because the committee sees the clearing house acting as a central risk-taker – that so concern local brokers, and at the same time make three-day settlements of international trades more feasible.

While interested lobbies beaver away behind the scenes, the fact that the most controversial proposal for reform – reconstituting the stock exchange committee – can in theory be implemented fairly swiftly means the financial community will soon know how determined the colonial administration is to sweep its past errors into the history book.

"We will see comparatively quickly whether these lobbies are gaining ground," says the head of one international stockbroker.

Mr Richard Witts, managing director of Schroder Securities, adds: "It would be a very early sign of faith, an almighty quantum leap forward, if the committee element at the stock exchange was implemented speedily."

Doubts still linger about the commitment to reform of a Government so roundly condemned by Mr Hay Davison's committee as ignorant of the workings of financial markets.

International stockbrokers remember all too vividly that the Government's past record as a supervisor and reformer of financial markets, as pointed out by Mr Hay Davison's committee, is far from impeccable.

Ironically, it may be the Government's past failings that ultimately ensure action.

As the head of another international broking firm puts it: "There is nobody in Government who has a comprehensive enough overview of the market to produce an alternative plan. I think the Government will take the view that there is no point hiring an expensive and well-qualified dog if you then proceed to bark yourself."

Malaysian sell-off plan to be drawn up

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN Government yesterday commissioned Schroders, the British merchant bank, to draw up a masterplan for its privatisation programme, which has attracted considerable political controversy in the past.

The plan will include an assessment of disposals to date and the difficulties encountered, recommendations on changes needed to make the programme easier to implement, a list of projects suitable for sale over the next 10 years, and five privatisation prototypes.

Tan Sri Yahya Wahab, head of the Malaysian Economic Planning Unit, said 14 projects had been privatised since the programme began four years ago. Nine are being actively considered, and 65 others are in the pipeline. The nine projects include a rapid transport system for Kuala Lumpur, government security printing, telecommunications and hotels.

Critics say many lucrative projects in the past have been awarded to operators associated with the ruling United Malays National Organisation, including the construction of the 3.4bn ringgit (US$1.3bn) north-south highway.

Amatil held back by tobacco side

By Our Sydney Correspondent

AMATIL, THE Sydney-based cigarette, food and beverage offshoot of the UK's BAT Industries, managed only a 13.9 per cent rise in net earnings to A$42.63m (US$34m) in the six months to April as the tobacco division, the company's traditional profit mainstay, held back progress.

Directors said yesterday that major marketing activities, including new brand launches, had affected tobacco earnings. But they suggested this may reverse in the current half.

The company, 40 per cent owned by the British parent, is raising the interim dividend from 11.4 cents to 13 cents a share, which will be fully-franked under the Australian imputation system.

Revenue edged up from A$1.06bn to A$1.09bn in spite of the sale during the year of the company's half-share in the Steggles poultry business.

The result would have been worse but for a cut in tax provision from A$32.2m to A$28.6m. Pre-tax earnings were up only marginally from A$69.9m to A$70.9m.

Sally Aw bids for full Cereus stake

BY BRUCE JACQUES IN SYDNEY

MISS SALLY AW Sian, the Tiger Balm heiress, yesterday launched a restructuring of her Australian-Hong Kong corporate empire with a A$56m (US$44.7m) bid for full control of Cereus Australia, her antipodean flagship.

Through a family vehicle called Kargat, Miss Aw is bidding A$4.38 cash for the 45 per cent of Cereus she does not already own. The offer compares with the last sale price for Cereus shares of A$3.50.

Miss Aw triggered market speculation on Tuesday when she requested suspension of shares in both Cereus and Sing Tao, her 67 per cent-controlled Hong Kong offshoot. Analysts believe Miss Aw, whose principal operations are now in Asian language newspapers and property, is taking Cereus into private hands in preparation to shift her operating base back to Hong Kong.

Three years ago she moved a large part of her corporate interests to Australia, reputedly spurred by the 1997 handover of the territory to China. She has apparently become disenchanted with Australia's high tax rates.

Mr Paul Keating, the federal Treasurer, has just announced a reduction from July 1 of the Australian corporate tax rate, from 49 per cent to 39 per cent. However, it was stipulated that dividends received by Australian-domiciled companies from designated foreign tax havens – and Hong Kong is one – would be "topped up" for tax purposes to the new 39 per cent rate.

The Cereus bid is subject to approval by Australia's Foreign Investment Review Board.

Japanese trading groups ahead

TWO MORE Japanese trading companies yesterday announced consolidated net earnings gains for the March year because of Japan's expanding economy, AP-DJ reports from Tokyo.

Sumitomo Corporation was up 3.1 per cent to Y30.18bn ($238.5m) on sales 6.2 per cent ahead at Y13,873bn. At Nissho Iwai, earnings were up 14.5 per cent to Y8.45bn as revenue rose 35.8 per cent to Y10,437bn. Export income fell for both.

Swiss lift offer for Essex Chemical

By Our Financial Staff

GURIT-HEBERLEIN, the Swiss chemical products and textile machinery group, is increasing its bid for 51 per cent of Essex Chemical of the US from $24 a share to $30.

The new offer from Gurit puts a value of around $180m on the New Jersey based company which makes sealants and adhesives. Gurit says its is prepared to extend its bid to the whole of the US company's capital should Essex agree to the deal.

Yesterday, the Essex directors continued to recommend rejection of the takeover despite the 25 per cent increase in the value of the terms.

Gurit's turnover amounted to SFr271m ($188m) in 1986 while for 1987 sales at Essex, which has 16 plants across the US, totalled $210m.

Essex has an existing joint venture arrangement with Gurit. This is a Swiss-based company which produces sealents

Tim Dickson sets the scene for next week's gathering of shareholders in the Belgian holding company

Tight-lipped ahead of Société Générale meeting

"THERE is less passion this time – and that's good," said a senior Belgian banker yesterday of the conspicuously calm atmosphere in Brussels ahead of next Tuesday's annual meeting of Société Générale de Belgique.

The contrast, of course, is with the acrimonious and highly charged build-up to the dramatic extraordinary general meeting in mid-April, itself the culmination of a hectic and ultimately unsuccessful three-month battle by Mr Carlo De Benedetti, the Italian businessman, to win control of Belgium's largest and most prestigious holding company.

Notwithstanding his defiant and well-publicised vow to continue the fight – "sooner or later. . .my associates and I will play the major role which is coming to us" – the last couple of months have been marked by a much more conciliatory mood in relations between the ambitious Italian and the majority Franco-Belgian shareholder camp led by the French investment bank, Compagnie Financière de Suez.

An official news blackout by both sides in recent days, for example, is a sure sign that critical behind-the-scenes talks are taking place, and barring unexpected breakthroughs or breakdowns in these negotiations, the supposition is that nobody will publicly wish to rock the boat at next week's largely routine annual assembly.

None of this means, however, that peace is about to break out or that a credible new strategy can be quickly agreed for a company which has stakes in more than 1,200 other businesses, ranging from financial services and cement making to commodity trading and energy, and which exercises direct influence over 20 per cent to 30 per cent of the Belgian economy.

Mr De Benedetti, who, with his supporters, controls about 44 per cent of the shares, continues to see "La Générale" as the touchstone of his plan to build a European holding company for 1992, and he wants effective management control. The majority Suez camp and its Belgian allies, including the SGB board, consistently insist that no one individual should be allowed to exercise

Herve de Carmoy: hot favourite for the hot seat

such power.

The most interesting question perhaps remains the cohesion and unity of the Franco-Belgian camp, not least following a highly controversial article in the French magazine L'Expansion earlier this month which implied that Suez wants to split up the company's financial and industrial holdings and intends to sell off lame ducks such as Gechem, the chemicals business, Fabrique Nationale, the armaments group, and ACEC, the engineering concern. Losses in all these activities contributed to the sharp drop in La Générale's net profits in 1987.

That article drew a swift official denial from the French company and provoked scathing public comment from Mr Philippe Bodson and Mr Maurice Lippens, two of the new Belgian directors elected at April's egm. Most stock market observers, however, are convinced that the article reflects the views of at least part of the Suez board that a major shake-up is required to provide an adequate return on the fancy prices paid for their shares. The Suez and De Benedetti camps are thought to have paid an average BFr4,600 ($127) to BFr4,800 per share compared with the current estimated net asset value of around BF4,000 per share.

Speculation has also centred on the new chief executive, whose appointment seems likely to be confirmed at next Tuesday's meeting. The hot favourite for this key post is Mr Herve de Carmoy, a Frenchman whose international reputation rests largely on his achievements as the Midland Bank director responsible for overseas expansion (post Midland's Crocker fiasco in the US).

Critics in Brussels worry that he will be another banker, albeit a distinguished one, in a boardroom which badly needs industrial experience. Mr De Benedetti, who will be consulted but who cannot veto the appointment, may also harbour such thoughts, while the Flemish community in Belgium, long jealous of the Francophone domination of the country's major company, will not take kindly to the appointment of a Frenchman.

Supporters of Mr De Carmoy point out that La Générale is controlled by Francophone shareholders and that Cockerill Sambre, the country's big steel group, is run by a Frenchman, Mr Jean Gandois.

The continuing uncertainty at La Générale, meanwhile, has not halted developments at La Générale's "subsidiaries," notably at FN, where new money has been provided for the major restructuring to go ahead and at Tracebel where an exchange of shares earlier in the year has brought Mr Albert Frere's Groupe Bruxelles Lambert very much into the picture.

On the Brussels bourse, trading in the 1 per cent to 2 per cent of La Générale stock not in the hands of one or other of the major camps has been largely irrelevant. The persistent buying of shares in Petrofina, the major oil company historically under the benign influence of the La Générale board, has provoked new excitement and raised speculation that Mr Frere (or a counterweight to him) is trying to increase his holding.

Shares in CBR, the cement company, have also strengthened in the last few days on suggestions that this successfully run business could be on the list of La Générale disposals.

TNT acquires Madrid express freight group

By Our Financial Staff

TNT, Australia's leading transport group, has bought control of Unitransa, a Madrid company which it describes as the domestic express freight market leader in Spain.

According to TNT, the purchase completes its coverage of the Western European freight market, in which it has been expanding vigorously.

Unitransa operates a door-to-door overnight delivery service in the Spanish mainland and the Balearic Islands.

Its services are now to be linked with TNT air and road routes into Spain. Last year, the Australian company launched its TNT Overnite Air Express in Europe.

No price was disclosed on the acquisition, but TNT said Unitransa has 25 depots, more than 700 staff and 500 vehicles. The current management will remain in place.

"Spain is a huge and growing market and is an important piece of the European jigsaw," it added.

Paris bourse to rule on takeover of Télémécanique

BY GEORGE GRAHAM IN PARIS

THE FRENCH Stock Exchange is due to rule today on the long-suspended offer by Schneider, the construction and electrical equipment group, for Télémécanique, the industrial automation specialist.

Schneider, which is controlled by Mr Didier Pineau-Valenciennes, appears to have been left alone in the ring after a spiral of bids which end up valuing Télémécanique at around FFr8.15bn ($1.4bn.)

Mr Pineau-Valenciennes has been bitterly resisted by Télémécanique's management and employees, who first took to the streets in demonstrations under the windows of the Finance Ministry, then called in a white knight, and finally attempted to put together a leveraged employee buyout.

The white knight, nuclear plant builder Framatome, had to withdraw when its main shareholders, the recently privatised Compagnie Générale d'Electricité and the state nuclear energy authority, Commissariat d'Energie Atomique, baulked at the price they were being asked to pay.

The previous Finance Minister, Mr Edouard Balladur, had done everything in his power to tilt the battle Framatome's way, feeling that a victory for Schneider, against the wishes of a workforce which owns around 10 per cent of its capital, would deal a blow to employee share ownership.

Under his pressure, the stock exchange refused in March to register a Schneider offer of FFr5,400 a share within the normal five-day period in order to give time for Framatome to come back with an improved bid.

The leveraged buyout plan received a cool reception from the banks, and even ended up dividing the previously unanimous workforce. Several senior managers felt the buyout project would seriously mortgage Télémécanique's industrial future.

Schneider, as the only buyer remaining, is therefore expected to receive the approval of the stock exchange for its offer of FFr5,000 a share cash or FFr5,500 in a year's time.

The net result of the Government's pressure to secure a politically acceptable outcome to the battle for Télémécanique – something of a pioneer of employee share ownership in France – appears therefore to have been to allow Schneider to disown a bid of FFr5,400 a share in favour of one of FFr5,000 cash or FFr5,500 in a year's time.

Although the Commission des Operations de Bourse has said it regarded the FFr5,400 offer, valuing Télémécanique at FFr8.8bn, as duly made, it is not expected to block the new lower offer.

Dealings in Télémécanique shares are due to reopen on Monday after being suspended since February 4, with the exception of a single day's trading on March 1

The new Socialist Finance Minister, Mr Pierre Beregovoy, appears have distanced himself from the Télémécanique case.

Finnish shipbuilder to close yard

By Olli Virtanen in Helsinki

WARTSILA Marine Industries, the Finnish shipbuilding group, will close one of its shipyards in the face of dwindling orders.

The Laivateollisuus yard at Turku will be phased out by the end of 1990 and half of its 1,200 employees will find work at Wartsila's other shipyards.

Laivateollisuus specialises in smallish craft such as research vessels, Arctic tankers, yachts and submarines.

Production will be continued by Wartsila Marine's other yards.

Valeo expects to double income

By Our Financial Staff

VALEO, the French car parts group, expects to more than double first-half profits. Mr Noel Goutard, Valeo president, told the annual meeting that interim net income after payments to minority interests was estimated at FFr450m ($77.4m) compared with FFr207m in the first six months of 1987.

He said the sharp improvement in profits reflects the robust growth of car sales in France and the rest of Europe, as well as efforts within the group to improve productivity. Group productivity during the past 18 months had improved by 18 per cent, Mr Goutard said.

First-half turnover was expected to rise to FFr8.7bn, an increase of 20 per cent.

Losinger returns to profit on lower turnover

BY JOHN WICKS IN ZURICH

LOSINGER, Switzerland's leading construction concern, returned to profits last year with net earnings of SFr600,000 ($416,600) compared with 1986 losses of SFr4.5m.

Turnover fell 10 per cent to SFr572m with a run of big foreign contracts and the strength of the franc taking most of the blame. International business accounted for 40 per cent of Losinger turnover.

New orders fell from SFr636m to SFr614m but the value of orders improved from SFr406m to SFr450m, including 45 per cent outside Switzerland.

Mr Vinzenz Losinger, the chairman, said yesterday that group domestic operations were to be intensively promoted. He added that largescale building contracts abroad were gaining from Losinger's links with Enserch, the US gas transmission group which owns 50 per cent of the company.

Losinger still faces carried-over losses, amounting to SFr32m for the parent company. In order to cancel out most of these, Enserch and Union Bank of Switzerland, which controls 22 per cent of Losinger, are to write off SFr30m worth of Losinger priority participation certificates.

Enserch acquired its stake in Losinger in 1983

Huhtamaki earnings rise by 15%

BY OLLI VIRTANEN IN HELSINKI

HUHTAMAKI, the Finnish group with interests in food, drugs and packaging industries, reports a 15 per cent increase in profit before tax and appropriations to FM90.4m ($22m) for the first four months of 1988. Turnover rose by 19 per cent to FM1.7bn.

The group's confectionery division, which includes Leaf, the US candy manufacturer, grew by 12 per cent to FM778.3m, accounting for 46 per cent of Huhtamaki's total sales. Pharmaceuticals increased sales by 20 per cent to FM457m while the packaging division more than doubled sales to FM303m thanks to acquisitions.

Huhtamaki will shortly complete the purchase of Lilypak, the largest manufacturer of food service disposables in Australia and New Zealand. The deal is expected to make Huhtamaki the world's third largest supplier of disposables to the catering industry.

David Lascelles on a firm's reaction to a torrent of adverse publicity

Drexel chief comes out fighting

"WHY DO people continue to deal with us if they're reading such dreadful things about us in the newspapers?" asks Mr Robert Linton, chairman of Drexel Burnham Lambert, the Wall Street investment house whose name has become almost synonymous with trouble.

The reason, he says, is that Drexel knows how to produce value for its clients.

That answer might sound a little woolly in the hard-nosed world of investment banking. But the gravelly-voiced Mr Linton has been forced to become an active promoter for his firm, to counter the torrent of adverse publicity.

He was in London this week doing just that in the wake of further bad news on the legal front.

Last week, the Securities and Exchange Commission voted to charge Drexel with 18 civil securities fraud violations arising from the Ivan Boesky insider-trading scandal.

The SEC also voted to charge four employees, including, it is believed, Mr Michael Milken, head of its famed junk bond operation.

Quite when charges will materialise is unclear. The US Attorney General is still collecting evidence to decide whether to bring an action of his own.

Sitting in his shirt sleeves in Drexel's City offices, Mr Linton is in combative mood.

"The actions are mainly Mr Boesky's words against ours. We believe none of our employees has done anything illegal. We have an absolute defence in every case. We want to confront Mr Boesky who is a liar and in jail," he says.

Out-of-court settlement is an option that Drexel has considered in what promises to be a long-running case, though Mr Linton says his firm would prefer to fight a legal battle to clear its name.

"If we can avoid the legal costs and consumption of management time and expense, then we'd be fools not to take it. But we are not seeking a settlement. We look forward to going to court and proving our innocence."

Mr Robert Linton, left, Drexel's chairman, says his firm is not seeking a settlement with the SEC over their allegations of wrong-doing at the firm in the wake of the Ivan Boesky scandal. "We are not seeking a settlement. We look forward to going to court and proving our innocence."

To add to Mr Linton's irritations, a new book about Drexel, The Predators' Ball, has just been published in the US, painting a highly unflattering portrait.

"The saving grace of that book," he growls, "is that it is a colossal bore, and is written by a third-rate author." His views are shared in part by Fortune magazine, which describes it as "numbingly detailed."

To support his claim that Drexel has not suffered commercially from all this turmoil, Mr Linton has disclosed that the firm has conducted $17.3bn of publicly and privately placed financings in the first five months of this year, up from $16.7bn in the same period last year.

The bulk of this is in junk bonds, which have caused much of the controversy surrounding the firm. The figure does not include Drexel's participation in the recent placement of 50m shares by Occidental Petroleum.

Altogether, Mr Linton expects total revenues to reach $4bn this year, which would equal the firm's best year in 1986. Capital has also increased slightly, to $2.25bn.

Being privately owned, Drexel does not give detailed profit figures, nor does it break out the contribution of individual parts of the business.

But Mr Linton confirms that the most lucrative part of Drexel's operations is still investment banking, which includes corporate finance, where business is running at record levels.

Two other large earners are bond and commodities trading. But the retail business is down by a quarter since last October's stock market crash.

This week, the Supreme Court also dealt the Wall Street investment banking community a blow by refusing to review a lower court decision allowing commercial banks to move into parts of the securities business.

Mr Linton says this is another "peel off the onion" of US banking regulation. But he doubts that it will make much difference because it leaves intact the Glass-Steagall Act bar on banks underwriting corporate securities.

However, Drexel sees less opportunity for growth in the US market now than overseas, where it is concentrating its efforts.

In London, it hired Mr Trevor Swete and Mr Christopher Roshier, the two former heads of the Hill Samuel corporate finance department, and is now trying to build up a UK-based investment banking business. Mr Linton predicts that the first deals will be coming through soon, though he declines to identify them.

Mr Linton has also been investing some time in what he considers to be an interesting long-term prospect: East Europe.

He has just made a two-and-a-half-week tour of the region and came away convinced that "we are winning there. Democracy is encroaching rapidly in some of those states, and the profit motive appears to be having a tremendous effect."

This may not mean that communism is about to succumb to the allure of junk bonds, but Mr Linton sees Drexel playing an advisory role in helping such countries as Hungary create securities markets, as they have said they will. Drexel already does some commodity trading and financing business in East Europe.

Book review, Page 26

Bank of China criticises credit rating from Moody's

BY ROBERT THOMSON IN PEKING

THE STATE-RUN Bank of China, responsible for most of the country's foreign exchange dealings, revealed its extreme annoyance yesterday with a less than perfect credit rating from Moody's Investment Service.

Mr Li Yumin, a vice-president of the bank, said the A3 rating was unacceptable as it failed to recognise the bank's domestic influence and international standing. It could affect the bank's plans to enter the US capital market and could discourage foreign investors.

"As a state foreign trade and foreign currency bank, the Bank of China has been expanding rapidly and earned a good reputation both at home and abroad," said Mr Li, who emphasised that the bank's bond issues in Japan have all had a Triple-A rating.

The bank has obviously taken the rating as an insult, particularly as its master, the Chinese Government, is tightening debt management even though the country's debt service ratio is reckoned at only about 9 per cent.

Perhaps to emphasise the country's displeasure, the People's Bank, the central bank, announced that foreign exchange reserves rose from $15.2bn at end 1987 to $17.1bn at the end of the first quarter this year – the Bank of China holds $12.6bn of those reserves and the rest is held by the state treasury.

Meanwhile, the vice-governor of the People's Bank, Mr Qiu Qing, said the country would be taking no special measures to control money supply, despite an average 25 per cent annual increase in money supply since 1984 and an inflation rate this year expected to be 15 per cent, double that of 1987.

French SE launches new index for shares

By George Graham in Paris

THE FRENCH Stock Exchange yesterday launched its new share index, CAC-40, designed to serve as a base for stock index futures and options.

The exchange hopes to start trading index options and futures in the autumn, but faces competition from a rival index, EFX-50.

OM, which already runs a similar market in Sweden, is ready to begin trading on the EFX-50 index with the backing of the CCF, BNP, Société Générale and Paribas banks.

The French Treasury has been withholding its approval from the OM market in the hope that the exchange would be able to set up its own index trading in time.

Many dealers are sceptical that the exchange will be ready by the autumn, as it has already experienced several delays.

The OM market, although not the absolute height of technical sophistication, is viewed by the French banks backing it as having the advantage that it works and is relatively cheap.

The new CAC index is based on 40 shares representing 56 per cent of the capitalisation of the main Paris stock market at the end of 1987, and 62 per cent of its turnover. The component shares are all traded continuously, some on the screen-based CAC system and others by open outcry on the stock exchange floor.

The traditional CAC general index was fixed only once a day, while the trading indicator includes both continuously traded stocks and those fixed only once a day in the main session.

The CAC-40 closed yesterday at 1281.68, up 0.06 per cent, after reaching a high of 1291.19. Technical problems appear, however, to have delayed its appearance on Reuter screens.

St Paul to set up $300m revolving credit

By Stephen Fidler, Euromarkets Correspondent

THE ST PAUL Companies, the US property and liability insurance company based in St Paul, Minnesota, is establishing a $300m revolving credit, the company's first in the international loans market.

The financing, being arranged by Swiss Bank Corporation Investment banking, has a maturity of five years, with an option to invite uncommitted bids for advances in several currencies.

The committed advances are priced at 18¾ basis points over London interbank offered rates, with a utilisation fee of 5 basis points if outstandings exceed $150m. There is an annual commitment fee of 8 basis points on undrawn amounts.

The borrowing will be used to consolidate the company's international bank group, and will be used partly as a commercial paper back-up and to partly replace St Paul's existing credit lines.

● National Home Loans Corporation, the specialist UK mortgage lender, is increasing its Eurocommercial paper programme from $250m to $400m.

NHL said issuance under the programme had consistently reached its ceiling since it was launched in January and the increase was a result of pressure from investors.

Citicorp, Daiwa Europe, Manufacturers Hanover, Union Bank of Switzerland (Securities) and S.G. Warburg are dealers on the programme.

VW of America wins lawsuit

By Anatole Kaletsky in New York

VOLKSWAGEN OF America has won its first US lawsuit involving an alleged incident of "unintended acceleration" by the Audi 5000 model.

Since 1985, there have been hundreds of claims that Audi 5000 automatics were liable to accelerate suddenly outside their drivers' control, injuring and killing pedestrians and causing disastrous market share losses for Audi and its German parent.

On Tuesday, a Federal court jury in Akron, Ohio, decided that there were no defects in the Audi 5000 in a case involving the death of a six-year-old boy who was run over by his mother. VW described the ruling as a "victory" in its campaign to establish that the Audi 5000 was not unsafe.

VW has consistently denied that such accidents were due to mechanical problems. In several cases, driver error, including confusion between the brake and accelerator pedals, has been identified as the cause of the car's lurch.

US statistics continue to command dealers' interest

BY DOMINIQUE JACKSON

THE EUROBOND market remained in thrall to US economic statistics yesterday as prices in most sectors saw consolidation in the wake of Tuesday's strong advances. A crop of new issues was launched, including three dollar straight bonds.

The unforeseen drop in the US trade deficit to a seasonally adjusted $9.89bn in April from a revised $11.7bn in March propelled the US Treasury market sharply higher on Tuesday and renewed investor interest in dollar denominated bonds.

However, although sentiment remained good yesterday, most Eurodollar bond prices eventually fell back from initial highs on a combination of profit taking and a softer tone following new economic data in New York.

Dealers said news of an unexpectedly low rise of 0.1 per cent in US May retail sales was offset by a higher than expected 0.: per cent jump in industrial production.

Most sectors of the Eurobond market tracked US Treasuries, although prices moved within a narrower range.

Sterling denominated bonds received no support from the pound's lacklustre performance on the foreign exchanges and were unable to maintain the higher levels seen on Tuesday, although falls were limited yesterday.

Euroyen was the only sector to present a markedly bearish face. Prices were depressed by the Bank of Japan's decision on Tuesday to allow short-term commercial bill rates to rise, indicating that an anticipated tightening of monetary policy to curb inflation and support the yen could be imminent.

The first dollar straight bond to emerge yesterday was a three-year $150m 8½ per cent deal at 101.10 for Coke Enterprises, a subsidiary of Coca-Cola. Credit Suisse First Boston led the issue which was bid at a discount of 1¼ against fees of 1⅞.

Nikko Securities brought World Bank affiliate, the International Finance Corporation, with a $100m six-year deal at 8⅞ and 101⅛. The deal is not expected to trade widely.

Encouraged by the excellent reception seen by two 10-year dollar straight bonds earlier this week for SNCF and Belgium, Electricité de France finally awarded the mandate for its long-anticipated issue to BNP

INTERNATIONAL BONDS

Capital Markets. It was a $150m 10-year deal at 9⅞ per cent and 101⅝. The initial response to the deal was good and it traded within its total 2 per cent fees.

Steady retail demand from the Continent for Canadian dollars and favourable swap opportunities prompted a handful of new issues in the sector yesterday.

Wood Gundy brought the Canadian province of Saskatchewan to the sector with a C$150m three-year 9⅞ per cent deal at 101¼. The provinces are popular borrowers and the deal was bid at a discount of 1.30 against total fees of 1⅞.

Shearson Lehman Hutton International brought American Express Overseas Credit, a financing unit of American Express, to the sector. The three-year C$50m 10 per cent deal at 101.20 was bid at a discount of 1.90 against 1⅞ fees. Dealers said the issuer was looking over-borrowed.

Salomon Brothers International followed with a C$125m seven-year issue for General Motors at 10¼ and 101⅞. The issue was bid at a discount equal to its fees of 1⅞.

In the Japanese equity warrant sector, Nomura International brought Tokyu Department Store with a $200m five-year deal on which the coupon is indicated at 4¼ per cent.

Orient Leasing issued a four-year $50m bond with warrants on which the coupon is indicated at 3¼ per cent. Daiwa Europe led the deal.

Hambros Bank led a £200m floating-rate note for the Woolwich Equitable Building Society. The issue matures in July 1993 and the coupon is ⅛ point over the three month London interbank offered rate. Fees on the deal totalled 35 basis points and the issue was bid at 99.70 against its par issue price.

IBJ International led a Y10bn step-up coupon issue for Norway's Bergen Bank. The deal matures in October 1994 and is priced at 101.225.

In France, the European Investment Bank issued a FFr1.5bn bond through Société Générale. The coupon on the seven-year issue was set at 8¾ and the price at 101⅝. Dealers said it was bid at a discount equal to its 1⅞ fees.

Crédit Commercial de France led a A$50m three-year deal for itself. The coupon on the deal was set at 13¼ per cent and it was priced at 101⅞. It was bid at a discount of 1.45 against total 1⅞ fees.

In West Germany, the domestic bond market saw initial brisk professional activity although profit taking pared early gains and most issues finished the day basically unchanged.

Euromark bonds were quieter and ended similarly unmoved. Dealers detected limited position squaring ahead of the coming holiday weekend in Germany.

Swiss bond prices closed marginally better across the board, taking a lead from the improved tone overall which followed the US trade figures on Tuesday.

Thailand made its first issue in the Swiss market, a SFr200m seven-year deal at 4⅞ per cent and 99¾, led by Crédit Suisse. Union Bank of Switzerland said it had declined to participate in the deal which it considered too tightly priced.

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UK COMPANY NEWS

ENHANCED PROFITABILITY LEADS TO RISE IN MARGINS TO 13.8%

Pilkington sparkles with 18% rise to £302m

BY DAVID WALLER

Pilkington, St Helens-based glass manufacturer, yesterday reported an 18 per cent rise in pre-tax profits to a record £302m for the year to end-March. The result was achieved despite adverse currency movements, which clipped the pre-tax total by £26m on translation to sterling.

The outcome was broadly in line with stockbrokers' forecasts, but the shares fell 6p to close at 209p.

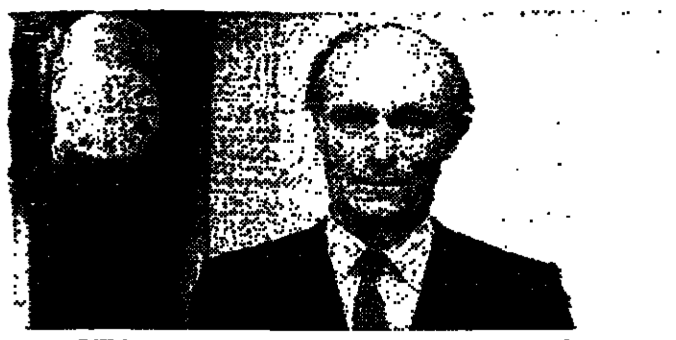
Earnings per share rose by only 7 per cent, reflecting the dilutive effect of the last August's acquisition of Revlon's Visioncare businesses for $574m in shares.

Overall turnover rose by 11 per cent to £2.33bn and operating profit by 17 per cent to £308m. A recommended final dividend of 6.05p takes the total for the year to 8.4p, an improvement of 15 per cent.

The boost in trading margins, from 12.5 to 13.8 per cent, reflected a surge in profitability of the company's flat and safety glass business in Europe. This was offset by difficult conditions in the US, at both Libbey-Owens-Ford (LOF), a manufacturer of glass, and the opthalmic businesses bought from Revlon.

Turnover emanating from continental Europe and the UK glass side rose from £880.6m to £1.08bn, while profits expanded from £87.7m to to £140.9m. Mr Antony Pilkington, chairman, said that demand for float glass – a type of glass developed by the company in the 1950s and now made by its competitors under licence – would continue to be buoyant. Accordingly, the company is planning to invest between £50 and £70m in a new float glass plant to be built in the UK.

In the US, LOF suffered a downturn in profits from £32.5m to £25.2m, mainly due to a cutback in orders from General Motors, the subsidiary's principal customer. Barnes-Hind and Coburn, the eye-care companies bought from Revlon and included for six months in the figures, contributed just £2.2m.



Antony Pilkington – plans to invest between £50m and £70m in new UK glass plant

Mr Pilkington blamed this on the effects of a price war in the market for contact lens solution and because of the costs of merging the acquired companies with Sola, Pilkington's existing opthalmic business. "Further rationalisation is to be expected," the chairman warned yesterday, without quantifying its effect. He did however say that the dilutive effects of the purchase would carry over into the current year.

Capital expenditure and the cost of acquisitions amounted to £641m; research and development absorbed a net £52.3m (£43.4m). At the year end, net borrowings stood at £398m (£296m), giving a debt-equity ratio of 39 per cent, up from 28 per cent. Financing costs were £37.4m (£35.9m), and tax took £100.1m (£79m).

In total, flat and safety glass generated profits of £238.9m (£193.2m); glass and mineral fibres:£25m (£23.8m); opthalmic products and special glass:£13.8m (£10m.); electro optical (defence):£5.7m (£9.9m); aircraft and special products:£4.5m (£1.5m). Group licensing income was £24.7m, down from £29.8m. Investment income and related companies contributed £34m (£30.1m).

The figures did not reflect Pilkington's move in April this year to gain control of its Australian associate company, Pilkington ACI, for A$255.4m (£115m).

See Lex

Redland in $36m US deal with Koppers

By Philip Coggan

Redland, the UK building materials group, has acquired the remaining 50 per cent of Western-Mobile, a US aggregates group, for $36.4m (£20.4m).

Western-Mobile was previously a joint venture between Redland and Koppers, the US aggregates and chemicals group which recently was taken over for $1.73bn by UK building group Beazer.

The consideration for the outstanding 50 per cent is equivalent to the book value of the assets being acquired. Western-Mobile has aggregate reserves of over 200m tons; its annual level of output is approximately 7m tons of aggregate, 1m cubic yards of ready mixed concrete and 2m tons of coated stone.

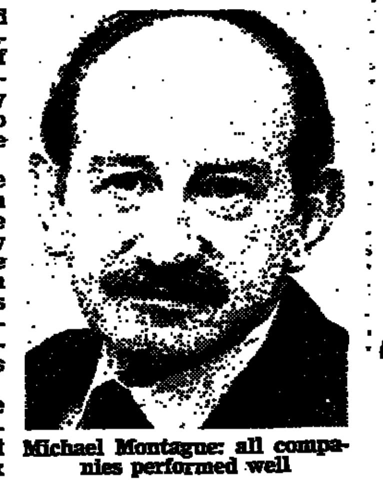
Yale and Valor boosted by US acquisitions

BY VANESSA HOULDER

Yale and Valor, the locks and domestic appliances group, yesterday reported pre-tax profits of £34.5m for the year to March 31 - a year in which the company quadrupled its size by buying two US companies, Yale and NuTone for £285m.

A good performance from the new businesses together with a lower than expected tax charge tempered the adverse currency effects and helped produce results that were better than those forecast at the time of its acquisition. The dilution in earnings was less than half that predicted, with a drop in earnings per share from 24.9p to 24.4p.

The profits, which were boosted by a nine month contribution of £22.6m from Yale and NuTone, increased from a pre-tax total of £10.5m last year. Turnover increased from £129.1m to £295.8m.



Michael Montague: all companies performed well

Mr Michael Montague, chairman, said that all the companies within the group had performed well, with the strongest performances coming from Yale and NuTone which beat their budgets. All the company's activities had got off to an excellent start in 1988, and showed an advance above the figures for the start of the previous year, he said.

NuTone, supplier of built-in home products, is introducing new products which should lessen its dependence on housing starts. The weakness of the dollar has meant that products previously sourced overseas can now be manufactured in the US.

The production and efficiency of the Yale businesses are to be increased at a cost of several million pounds. The weaker dollar had resulted in attracting increased business to the US. Parts which were produced in the Far East are now being made more cheaply in the US.

Mr Montague said that further small acquisitions are planned in existing business areas. In particular, further expansion is being examined in Continental Europe where the company has manufacturing plants in Spain, Italy and Sweden. At the year end, the company had cash of £15.9m (£12.1m).

Home products accounted for £181.8m of group sales and £20.1m of profits with security producing £74.9m sales and £10.8m profits and other businesses contributing £39.1m sales and £3.6m profits.

The geographical breakdown showed that 45 per cent of turnover and 63 per cent of profits came from North America with 51 per cent of turnover and 36 per cent of profit originating in Europe.

An extraordinary charge of £2.7m (£1.2m) resulted from reorganisation and disposals.

Directors are recommending a total dividend of 7.5p (5.77p) of which 1.8p was paid at the half year.

● comment

Just one year on from Valor's audacious foray into the US, the jury is still out on the deal. The evidence, however, looks encouraging. In spite of the slump in the dollar and the vagaries of the US economy, the acquisitions have barely diluted earnings - an achievement that would have impressed analysts even in the more optimistic days of last June. The benefits of a lower tax charge aside, that reflects a boom year for Yale, courtesy of the crime wave, and a strong year for NuTone (which is not expected to suffer from the hiatus in housing starts that followed the October crash). The simple fact that the companies need no longer be milked to service junk bonds, has boosted morale and meant greater investment in new products. Now, they are set to benefit from new sales and marketing management, which should help them expand in new markets in both the UK and US. A turnaround on interest charges plus strong growth in the US and a steady, if unexciting improvement in the UK should kick profits up to £48m this year. That puts the shares, unchanged at 278p, on a reasonable multiple of 10.

BP moves closer to Lear deal

By Steven Butler

British Petroleum has moved several steps closer to completing its $350m (£139.76m) acquisition of Lear Petroleum, the US gas distribution company, following approval of the proposed takeover by holders of Lear common stock.

The takeover terms for the troubled company were recommended by the Lear board.

Holders of preferred stock also gave their approval to proposed redemption amendments for preferred shares.

BP also appears to have nearly reached its goal of acquiring $100m (£55.9m) of outstanding debt at a discount to face value, which is a condition for proceeding with the acquisition.

It said yesterday that most holders of senior exchangable variable rate notes have agreed to tender up to $88m (£49.2m) of the debt for $820 per $1,000 principal. Under this agreement, after the merger, BP America would guarantee principal and interests of outstanding notes and change the redemption price to 105 per cent of principal amount until November 15 1989.

Of the $12m (£6.7m) additional debt needed to reach $100m (£55.9m), as of June 13, $9.2m (£5.14m) of 9 per cent convertible had been tendered, as well as $299,900 (£162,063) of 12% convertible notes. Of the the Senior Exchangeable Variable Rate Notes, some $14.6m (£8.16m) has already been tendered.

The offer for acquiring the outstanding debt issues was extended until June 20.

BP America has otherwise refused to guarantee debt previously issued by Lear, and holders of these instruments who fail to accept the tender offer would have to take their chances on Lear quickly recovering.

BP announced the acquisition in early February and offered $2.65 per common share and $8.50 for each preferred share. The acquisition is BP's biggest expansionary move in the US since it acquired Standard Oil last year.

Acquisitions propel Hodgson to £2.3m

BY ANDREW HILL

MR HOWARD HODGSON, chairman of Hodgson Holdings, the UK's largest quoted funeral director, said yesterday he hoped to announce before the end of the summer a joint agreement with an unnamed life assurance company, to provide financial services for bereaved clients.

Hodgson, which is gradually introducing a new corporate image, nearly matched its full-year profit figure at the halfway stage, more than trebling pre-tax profits to £2.3m in the six months to April 30, against £605,000 in the equivalent period.

Turnover at the USM-quoted company rose from £2.08m to £8m, compared with £8.31m in the full year to last October 31. An interim dividend of 1.2p (1p) per share has been declared.

Earnings rose 91 per cent to 8.2p (4.3p) per share. Growth was held back slightly as a result of share issues and vendor placings which have funded the purchase of 33 companies since the year-end.

A further 35 acquisitions are being negotiated and should be complete before the 1987-88 year-end.

Mr Hodgson, who last year worried the City by hinting at plans to buy a financial services operation, said it had taken a long time to find the right life assurance company for the joint venture, which would provide clients with financial advice both before and after the funeral. He declined to name the company until the agreement had been finalised.

"I think you will be surprised by the extent of what is going to happen and the amount of cross-fertilisation which is possible between a funeral director and an assurance company," he said yesterday.

Mr Hodgson said the number of funerals which the company could conduct in a year had increased from about 27,000 at the year-end, to nearer 35,000 at the interim stage. This would rise to about 40,000 with the inclusion of the 35 acquisitions currently under negotiation, he added.

Shares in the company – the UK's second largest funeral director after the Co-op – rose 4p to close at 221p yesterday.

● comment

Hodgson's plans to introduce financial advice into the range of services available at its funeral parlours by the end of the summer will please some in the City. Acquisition is the only way for a funeral director to expand, given that the national death rate is declining. So far Hodgson's voracious appetite for smaller undertakers has been fuelled by paper – £40m has been raised with three placings. This inevitably puts pressure on earnings and observers were beginning to fret that while profits moved ahead, earnings per share would stagnate. Diversification into financial services provides a basis for organic growth, and, as Mr Hodgson points out, also fits in with the new corporate image, which is more in tune with chartered accountancy than undertaking. On the other hand, there are plenty more acquisitions possible – Hodgson may have a larger-than-life image but its 6 per cent share of the market still looks small next to the Co-op's 25 per cent or more. Forecasts of more than £5m put the shares on a prospective multiple of about 15, worth holding.

Ryanair rises to I£0.9m and sees further growth

By Kieran Cooke in Dublin

Ryanair, an independent Irish carrier which started operations in early 1985, announced after tax profits of I£919,000 (£787,017) to the end of last year.

Turnover was I£18.2m (£15.59m) compared with I£4.2m (£3.6m) in the previous 21 months. The airline said it carried 416,000 passengers in 1987 and expected this figure to increase to 720,000 this year.

Ryanair is a privately held company with more than 80 per cent of the shares held by the family of Mr Tony Ryan, the head of GPA, the world's largest aircraft leasing company based at Shannon in the south west of Ireland.

The airline at present leases seven BAC 111s from Tarom, the Romanian airline, and will soon take delivery of two leased Airbus A320s.

Mr Eugene O'Neill, Ryanair's chief executive, said he expected company turnover to increase to £30m in 1988.

Low volume and high costs hit Mansfield

BY LISA WOOD

Mansfield, the Nottinghamshire brewer, yesterday reported pre-tax profits of £5.9m for the year ended April 1 1988, compared with £7.3m last year.

The City had forecast a standstill in profits and the share price dropped 10p to close at 375p.

Earnings fell to 25.2p per share (30.8p), but the final dividend is held at 6.75p for an unchanged 9p total.

Mansfield sold its Mandora St Clements soft drinks business last year, and some 44 weeks of the business is included in the 1988 results. The business, a drain on Mansfield's financial and management resources, contributed an operating profit of £900,000 in the period compared, with £1.1m.

The core brewing and retail division experienced a fall in turnover, from £67.2m to £65.7m, with the operating profit falling to £9.1m against £11.2m.

Mr Ron Kirk, acting group managing director, said beer volumes went down by around five per cent- a figure in excess of that of the market- and costs, including advertising, went up. In addition the local economy in the Mansfield area was still flat.

Mansfield said it would be continuing its investment programme in the tied estate- a move which means the finance charge of £4.36m will not go down significantly in 1989. An extraordinary item of £5.82m included proceeds from the sale of the soft drinks business - compared with £4.73m last year.

● comment

Mansfield is a classic example of a regional brewer without strong brands of its own coming under more and more pressure from the national brewers. The good news for Mansfield is that it is bid-proof, as it is controlled by a combination of trusts and family shareholders. The brewer's portfolio of brands has been strengthened with the introduction of Foster's and Red Stripe, a move which should help arrest volume decline. Costs are also being trimmed with last year's £800,000 TV promotional expenditure chopped for the brewer's own brands. Analysts are looking for the next full year's pre-tax profit at around £8m putting the shares on a prospective p/e of 15 times.

Williams Holdings

Williams Holdings has acquired LF Knight, a private company which makes summer-houses and chalets. Consideration was £1m – £400,000 to be satisfied by the issue of 10 per cent convertible unsecured loan stock 1998, £425,000 by the issue of shares and the balance in cash.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Bredstoh, Body Shop International, Chemring, Citer, Flexello Castors & Wheels, Greene King, Lep, Royal Trust Japan Growth Fund, Royal Trust Japan Sterling Bond Fund.

Finals- British Gas, Gold Greenlees Trott, Johnson Matthey, London International, Royal Trust Yen Bond Fund, Scapa, Smallbone, Unigate.

FUTURE DATES

Interims-

VSEL Consortium, Zetters Leisure.	
Daily Mail & General Tst	July 14
Electra Management Svces	June 22
Hardys & Hansons	June 23
Macarthy	June 23
River & Merc Amer Cap	June 22

Finals-

Brit Bldg & Eng Appliance	July 14
Gowrie Group	July 1
Lebowa Platinum	July 21
Powerscreen Int'l	June 30
Racal Electronics	June 27
Rustenberg Platinum	July 21
Wyndham	June 20

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Airsprung § ......fin	4.2	July 29	3	7.4	5.9
Bassett Foods ......fin	5.74	July 29	5.29	7.81	7.24
Clayhithe ......fin	2.25	Aug 8	-	3☆	-
Hodgson Hldgs ......int	1.2†	Sept 16	1	-	2.3
Horne (Robert) ......int	2.5	-	2	-	7
London Scottish ......int	0.65	July 29	0.55*	-	1.8*
Lyons Irish ......fin	6.5♣	-	5.8	10	9
Mansfield Brew'y...fin	6.75	Aug 10	6.75	9	9
Norton Opax ......int	1.5†	Oct 3	1	-	6‡
Pilkington ......int	6.05	Aug 19	5.17*	8.4†	7.33*
Thermal Scient. ......fin	2.8†	-	2.25	4	3.25
Waddington (J) ......fin	3.5	July 23	3.1	6.6†	6
Wagon Industl ......fin	7.5	Oct	6	12†	10

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For 18 months. ☆For 15 months. ♣Irish currency.

Public Works Loan Board rates

Effective June 15

Years	Quota loans repaid by EIP†	Quota loans repaid Ann††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid Ann††	Non-quota loans A* repaid at maturity§
1			8⅞			9⅝
Over 1 up to 2	8⅞	8⅞	9	9⅞	9⅞	9⅝
Over 2 up to 3	9	9	9⅛	10	10	9⅞
Over 3 up to 4	9	9⅛	9¼	10	10⅛	10
Over 4 up to 5	9⅛	9⅛	9¼	10⅛	10⅛	10
Over 5 up to 6	9⅛	9¼	9⅜	9⅞	9⅞	9⅞
Over 6 up to 7	9¼	9¼	9½	9⅞	9⅞	10
Over 7 up to 8	9¼	9¼	9½	9⅞	9⅞	10
Over 8 up to 9	9¼	9¼	9⅝	9⅞	9⅞	10⅛
Over 9 up to 10	9¼	9⅜	9⅝	9⅞	9⅞	10⅛
Over 10 up to 15	9½	9⅝	9½	10	10⅛	10
Over 15 up to 25	9½	9½	9⅝	10	10	9⅞
Over 25	9⅝	9⅝	9⅝	9⅞	9⅞	9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Waddington moves ahead by 44% to £17.6m

BY CLARE PEARSON

John Waddington, packaging, printing and games group, achieved a 44 per cent growth in pre-tax profits to £17.56m in the year to April 2 on turnover up 31 per cent at £172.47m.

Mr Victor Watson, chairman, said: "It was a solid year of progress, though putting things right – as well as product development – was achieved only at some expense."

Difficulties occurred in the packaging division, where Johnsen and Jorgensen, plastic containers and closures business acquired last June, turned out to be more problematic than Waddington at first realised. However, Mr Watson was hopeful for the future following a change of management and new productive capacity.

Sharp rises in resin prices, which could not be fully passed on to customers, also hit profits of the plastics companies, especially in the US.

Waddington's Mono-Web self-adhesive labels continued to absorb large sums, without providing revenues. Capital investment overall was 42 per cent higher at £14m.

A proposed final of 3.5p lifts the dividend for the full year by 10 per cent to 6.6p (6p). Earnings per share are up 7.6 per cent at 17.5p.

Acquisitions in packaging during the year added £1.59m to pre-tax profits and £16.9m to turnover. At the pre-tax level, packaging provided profits of £10.05m on turnover of £90.74m, business forms and security printing £4.73m on £56.78m and games £2.31m on £24.95m.

Despite the difficulties in plastics, margins in this division were less than 1 percentage point down at about 11 per cent. This was thanks to a strong performance from various added-value products, such as dual-ovenable trays (for microwave or conventional ovens) and circular tubs for margarines.

Within business forms and security, Gilmour & Dean, Scottish colour printer, performed well and the group edged further out of the most competitive areas of business forms, moving into more customised work.

Games achieved higher profits on similar volumes as Waddington dropped some poor-performing products in Canada and as sales of some of its established lines such as Subbuteo, the football game, enjoyed a surge.

● comment

After warnings that there were difficulties last year, analysts were generally cheered by the confident tone of Waddington yesterday – although not sufficiently to up their forecasts. The company is at least giving the impression that it has its problem areas, such as Johnsen and Jorgenson, under control; meanwhile, it continues to excel at transforming technical breakthroughs into saleable items, ranging from new ways to stop children opening bottles of pills to a material that prevents pizzas going soggy in the oven. Factoring in a less sharp appreciation in resin prices in the coming year, the expectation is for pre-tax profits of £21.5m, putting the shares, which have been lacklustre recently, on a prospective p/e of 19. The company's array of attractive packaging products, not to mention the strong brand positions of its games, which include such stalwarts as Monopoly, could make it an attractive proposition for predators. But none has emerged since the bids from Robert Maxwell and Norton Opax a few years ago, and Waddington has a number of loyal supporters on its shareholders' register.

Packaging side helps Norton Opax to over £14m

BY CLARE PEARSON

Norton Opax, printing group, achieved interim pre-tax profits slightly ahead of City expectations at £14.11m, as against £7.79m last time.

This was achieved on turnover, which included sales of associated companies, of £129.53m (£96.28m).

About half of the increase in pre-tax profits in the six months to end-March was achieved by reduction of interest charges through the £46m rights issue last August and other income, such as royalties. Net interest payable fell to £261,000 from £1.85m.

Mr Richard Hanwell, chief executive, said the group was enjoying buoyant demand for its products around the world and was investing in terms of acquisitions and capital expenditure.

Richard Hanwell: enjoying buoyant demand

Star performer of its seven divisions was the packaging side, where profits before interest and tax rose to £3.22m (£1.35m). Mr Hanwell said cartons (which are paper, and so unaffected by recent rises in plastics raw materials costs), envelopes and labels all performed well. Special products were also a bright spot, benefiting from stronger European demand for lottery tickets, and profits rose to £1.79m (£790,000).

Elsewhere, profits at the pre-interest level broke down to £2.5m (£2.7m) for security products, £1.35m (£950,000) for book printing, £560,000 (£160,000) for magazine printing, £1.18m (£830,000) for commercial printing, and £2.78m (£2.06m) for the international division. The security printing side was affected by lower demand from Midland Bank and the costs of integrating the old McCorquodale plant. Brazilian operations made no contribution, after a £750,000 profit in the second half last time.

During the interim period, Norton Opax spent about £3.5m on buying Australian credit card businesses. Last month, it spent about £7m on a New Zealand security printer. The May acquisition of Interchecks, the US cheque printer, was described by Mr Hanwell as "an absolute snip" at £21.3m.

There was an extraordinary credit of £455,000, mostly representing profits on disposals. Earnings per share came out at 6.08p (5p). The interim dividend is raised to 1.5p (1p).

● comment

The Norton Opax story has been a rather unthrilling one of rationalisation and integration for more than eighteen months, and the share price has reflected not only impatience with the unconscionably long time the absorption of McCorquodale was going to take, but also some doubt as to whether Norton could pull it off. However, it seems the company is avoiding mistakes, pursuing sensible policies successfully, and looking forward with the commencement of its acquisitions programme (though none of the new businesses will make a contribution to profits this financial year). The company's scope for further buys is limited by high gearing just at the moment. Without getting excited about the dollar's current rise, since it may not last, and not pinning any hopes on an improvement in Brazil, analysts are pitching expectations for full year pre-tax profits at £30.5m. The prospective p/e of just over 10 is not demanding, though the shares are not to be chased.

Geevor plans Cumbrian coal mining expansion

BY RAY BASHFORD AND MAURICE SAMUELSON

Geevor, operator of the Cornish tin mine which resumed operations in February, may acquire a Cumbria-based coal mining group, which has permission to develop the largest private underground coal mine in Britain.

Takeover talks are taking place with Mainband Colliery Company, which has reserves of 9.5m tonnes at Whitehaven and is capable of producing 150,000 tonnes a year for power stations and the domestic market.

Mr Eric Grayson, Geevor chairman who also owns 30 per cent of Mainband, said that if the takeover proceeds, the £3m construction of the mine would start next month, with coal production starting a year later.

The projected output of about 3,000 tonnes a week would be about 10 times bigger than that of many small British mines, which typically have reserves of about 0.5m tonnes.

Geevor's only other coal mine, in Lancashire, has reserves of 300,000 tonnes. Its thin seams are worked by 16 men with pick and shovel.

Production from Whitehaven's two 10 ft thick seams would be mechanised and would provide jobs for 30 men, the maximum which can be legally employed below ground in a private coal mine.

Productivity is planned at 20 tonnes per man/shift, nearly four times more than that of British Coal's standard pits and comparable with that at British Coal's Selby "super-pit".

Were the Government to lift the limit on manning levels, as ministers have recently been suggesting, the Whitehaven pit's output could be raised to 0.5m tonnes a year, comparable with some of the smaller collieries of British Coal.

The potential acquisition is part of a Geevor plan announced earlier this year to seek areas fordiversification from tin mining. Last April, Geevor sought to raise £2.9m to fund the diversification through a one-for-one rights issue. As a first move it paid £325,000 in shares for Eurogrange, owner of the Castle Colliery in Lancashire.

Mr Grayson joined Geevor last October, having previously worked for about 30 years as mining manager of Burnett and Hallamshire, now NSM.

The Whitehaven coal is on the seams which run through Haig Colliery closed recently by British Coal. With more than 1,500 out-of-work miners in the area, Geevor has already received "hundreds" of job applications, said Mr Grayson.

Ex-Falcon chief attacks plan to divide company

BY PHILIP COGGAN

MR RONNIE MONK, the former chairman of oil and gas company Falcon Resources, has spoken out against the new management's plans to split the company in two.

In a long press statement, Mr Monk and a fellow director Mr A J Aman, attack the actions of Mr Oliver Jessel and Mr Jonathan Rosen since they took management control of the group.

Shares in Falcon Resources were suspended in October 1985 for what Mr Monk then indicated would be 16 days, pending news of an acquisition. The acquisition failed to occur and despite frequent promises of a resumption of dealings the shares have stayed suspended since then.

Mr Jessel and Mr Rosen announced on Tuesday that plans for a capital reconstuction and relisting had been abandoned. Instead, they planned to split the company in two – with the US oil and gas interests possibly being sold to an unnamed listed company. The remaining "shell" would be sold separately.

Mr Monk proposes that Falcon press ahead with a capital reconstruction; he says he has negotiated a $5m refinancing agreement with an investment bank, which depends on the resignation of Mr Rosen and Mr Jessel. Should the pair not treat this proposal "seriously and responsibly", Mr Monk and Mr Aman intend to requisition an extraordinary general meeting to remove them from the board.

Lyons Irish expands 12%

PRE-TAX profits at Lyons Irish Holdings, the Irish wholesale tea merchant and cake manufacturer which is a subsidiary of Allied-Lyons, moved up 12 per cent from I£4.71m to I£5.27m (£4.52m) for the 52 weeks ended March 5. This was despite a turnover figure down £4.9m to £33m. The previous year was for the 53 weeks ended March 7 1987.

Trading profit declined to £3.91m (£3.93m), but this was more than offset by income from other financial assets of £368,000 (£22,000) and interest receivable up to £1m (£773,000).

After tax slightly raised at £816,000 (£747,000), earnings worked through at 29.7p (26.4p). The directors have recommended a final dividend of 6.5p (5.8p) to make a total of 10p (9p) for the year.

COMPANY NEWS IN BRIEF

PRIDAY METFORD, flour miller, has been bought out by its management from existing family shareholders.

PRUDENTIAL PROPERTY Services is acquiring Sturgis & Son for an undisclosed consideration in cash and shares.

PUBLISHING HOLDINGS, which trades on the Third Market, has completed the disposal of its publishing division to a management team led by two PH directors. Consideration is £1.13m, with £1.09m in cash and provision of advertising, conference and exhibition space. Its continuing activities are information services and direct marketing, and the directors are proposing to change its name to International Communication and Data (ICD).

UK COMPANY NEWS

ACQUISITIONS HELP BOOST PROFITS BY 21% TO OVER £9M

Wagon agrees £39m bid for Banro

BY NIKKI TAIT

Wagon Industrial Holdings, where existing interests range from material handling and storage to office equipment, yesterday unveiled a 21 per cent advance in pre-tax profits and a £39.2m agreed offer for engineering group Banro Industries.

Mr John Hudson, Wagon's chief executive, said the deal would enable the group to create a fourth automotive products division. This, he suggested, might account for 15 per cent of the merged group's sales.

Banro directors have given irrevocable undertakings to accept the all-paper offer in respect of the their combined 5.1 per cent holdings. Yesterday, Wagon's advisers, Lazards, picked up a further 14.9 per cent through the market. Bromsgrove Industries, which had acquired about 4 per cent of Banro, said it had sold its shares at 249p, for a profit of around £423,000, to Wagon.

In March, Banro reported a 34.4 per cent advance in pre-tax profit to £3.4m, on sales 24 per cent higher at £50.2m; it alsolaunched a £5.6m rights issue, partly to reduce borrowings. Wagon said yesterday that a net cash balance remained, and that gearing of the combined group should stand at around 20 per cent. Its own gearing at end-March was about 32 per cent.

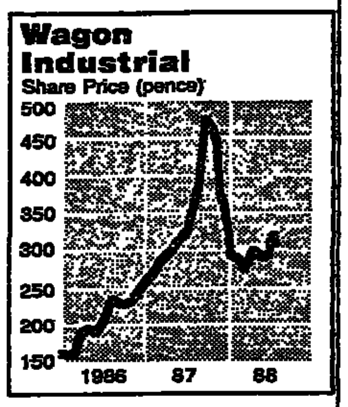
John Hudson: deal would enable group to create fourth automotive products division

Banro's principal operations are in the design, manufacture and distribution of metal and glazed products for transport, domestic appliance and building industries. It also produces various metal products, and manufactured goods such as LPG hob units, sunroofs and other car components (with interests in both France and the UK), and microwave cooker parts. About half the group's sales are related to the car industry.

Terms of the offer are 9 Wagon ordinary shares plus 29 convertible participating preference shares for every 23 Banro. With Wagon down 16p to 307p, this values Banro shares at 246p each (assuming 100p for the convertibles). Banro shares rose 35p to 235p. Bromsgrove gained 3p, at 126p.

Wagon lifted its profit from £7.54m to £9.15m in the year ended March 31 1988,following a sales rise from £95.2m to £124.6m. The figures benefit from an 11-month contribution from Wefco, which makes storage tanks, and five-months from Radford of Bristol, manufacturer of supermarket refrigeration systems, and Birmingham-based Precision Engineering. Together acquisitions contributed just over £1m to trading profit – up from £7.56m to £10.2m.

However, financing the purchases also told in a higher interest charge (£1m against £15,000) reducing the contribution at the pre-tax level to around £400,000. Earnings per share, after a 36 (33) per cent tax charge, are 13 per cent higher at 28.3p. The final dividend is 7.5p for a total of 12p (10p).



● comment

Acquisitions certainly helped the Wagon figures, but the picture would have been even more creditable had there not been above-the-line costs of some £400,000 as the company sorted out its UK office equipment interests. Hopefully, problems there are now resolved, and elsewhere business seems generally brisk. That leaves the pundits predicting £11m-plus from Wagon in the current year, giving earnings of just under 35p a share. To prevent dilution (ignoring the convertibles) Banro would need to make around £5m and perhaps £¾m to be added from cost-savings – targets which analysts seem to feel are fairly feasible. On a fully diluted basis, matters look a little less pretty – earnings dilution could be around 4 per cent in the current year, suggests Wagon. That said, the rating does not appear demanding by any measure, and the yield is also on the generous side.

Placing puts £37m tag on Eurocopy

By Philip Coggan

Eurocopy, photocopier distributor, is joining the stock market in a placing which values the group at £37.2m.

The company generates around 55 per cent of its revenue from equipment sales with the rest coming from recurring income in the form of maintenance contracts and a metered charge on the number of photocopies made.

In 1986, the group began to distribute facsimile equipment which it sees as a major area of expansion in future years.

Profits before tax and exceptional items have grown from £855,000 in the year to October 31 1983 to £2.57m in the year to September 30 1987. This year, the company is forecasting pre-tax profits of not less than £3.2m.

Of the £9.3m being raised in the placing, £2.4m is being allocated to fund future expansion.

Panmure Gordon is placing 9.78m shares, 25 per cent of the equity at 95p each. The shares are on a prospective p/e of just over 16 at the placing price. The expected gross dividend yield is 3 per cent.

Thermal Scientific hoisted by 34% thanks to acquisitions

BY FIONA THOMPSON

BOOSTED BY acquisitions and property profits Thermal Scientific, the Sheffield-based company which specialises in the manufacture of electric vacuum furnaces for laboratory and industrial users, scientific instruments and polymer equipment, yesterday reported full year pre-tax profits up 34 per cent from £5.5m to £7.38m. Turnover for the year to March 31 1988 increased by 39 per cent to £51.2m (£36.72m).

Earnings per share rose by a more modest 5.5 per cent, from 14.4p to 15.2p, and a final dividend of 2.8p was recommended making a total for the year of 4p (3.25p).

"Taking into account the October crash and the decline of the dollar, the company has made good progress overall," said Mr Hugh Sykes, chairman.

Thermal has been highly acquisitive since it went public in 1983, buying 15 companies in five years. This acquisitiveness, and the fact that 50 per cent of the company's business is in the US, prompted the market post crash to knock down Thermal's shares from 350p to 150p.

While acknowledging the impact of the dollar - fluctuations clipped £240,000 off profits this time and the figure would have been £440,000 but for hedging - Mr Sykes is convinced that long term the decision to expand in the US is the right one. The US companies accounted for £3.43m of the £7.38m pre-tax profits, a 68 per cent rise on the US contribution last time, despite the weakness of the dollar.

The pre-tax figure includes £560,000 property profits and a £1.43m contribution from acquisitions, resulting, overall, in no organic growth. "Seven of our 16 companies made record profits and five made good profits," said Mr Sykes, "but three made losses and one broke even."

The core vacuum equipment business, the largest product group, almost doubled profits.

●comment

Thermal Scientific will be quite pleased to have put this year behind it. If you acquire and expand as rapidly as it has you are almost bound to trip across a few management problems, and it did. A new group managment structure, which will focus the group more, looks on the cards, and the emphasis for the next couple of years will be on consolidation. The market was aware of the problems at the three subsidiaries and, with yesterday's results coming in slightly better than expected, the shares closed 5p up at 143p. Thermal's technical achievements are well regarded and the scope for organic growth is considerable. Assuming no property profits this time, and continued uncertainty over the dollar, the pre-tax forecast for the current year is just under £8m, putting the shares on a prospective p/e of 9, reasonable.

Suffolk Radio back in black

Suffolk Group Radio, which operates Saxon Radio in Bury St Edmunds and Radio Orwell in Ipswich, has reported half-year profits to March 31 of £127,000, compared with losses of £6,900 for the same period last year. Turnover at £611,900 was 18 per cent up.

Mr Martin Corke, chairman, said it was a most encouraging result and a further step towards eliminating the company's deficit, which now stands at £166,100. The current trading performance was exceeding the company's target.

Drayton Japan

Shareholders of Drayton Japan, the MIM-managed investment trust, yesterday gave the required approval allowing revised reorganisation proposals to become effective.The revised scheme allows shareholders either to switch into Drayton Far Eastern, or into newly-created MIM Britannia Drayton Japan.

COMPANY NEWS IN BRIEF

GPG: Following its demerger from Guinness Mahon Group on June 6, GPG has adjusted the subscription price applicable to the outstanding depositary warrants to subscribe for 11.15m ordinary from 112p to 80.52p. All other outstanding stock has also been adjusted in accordance with respective terms.

LONDON & METROPOLITAN has acquired for £950,000 the freehold and leasehold interests of 41, Town Centre, Hatfield, Herts. The property will be refurbished to provide three retail units, two of which are already under offer to substantial multiple retailers.

MICROGEN HOLDINGS is acquiring Imagen, laser printing bureau operator based in the Docklands area of London. Consideration is £850,000, to be satisfied by £488,748 in cash and the issue of 143,696 ordinary shares.

MONOTYPE CORPORATION has received full planning permission for the redevelopment of its industrial property at Salfords, near Gatwick Airport. Total development costs, subject to financing, are expected to be over £10m, including the land.

TRANSPORT DEVELOPMENT Group has bought five wholly-owned subsidiaries from Willett of Chicago for $6m (£3.35m) cash.

E UPTON & SONS has reached agreement with shareholders of Mullfarm – to be renamed Brittains of Rotherham – for the acquisition of 92 per cent of the ordinary shares of that company for a consideration of £75,330 to be satisfied in cash.

APPOINTMENTS

Managing director at Harvey Nichols

Mr Richard Maney has been made managing director of HARVEY NICHOLS from July 4. He was senior vice president and general merchandise manager at Lord & Taylor, the New York-based speciality store.

*

Mr Michael A. Fearfield and Dr Hans Seidl have been appointed to the board of LAPORTE INDUSTRIES (HOLDINGS). Mr Fearfield was appointed regional manager for North America and president of Laporte Inc in 1986. Dr Seidl is technical director of Peroxid-Chemie Gmbh, a European Interox company, which he joined as a chemist in 1969.

*

Mr John A. Palleschi has been appointed a director of corporate development of MEMOREX TELEX. Mr Dick Fassino has been promoted to the new post of director of banking and securities. Mr Palleschi was international counsel of Telex World Trade and Mr Fassino director of finance and administration of Telex Eumea, Neuchatel.

*

HAMMERSON PROPERTY INVESTMENT & DEVELOPMENT CORPORATION has appointed Mr Michael M. Gill to its board. He was the senior executive responsible for the company's European activities.

*

CHRISTIAN SALVESEN is making the following board appointments on July 1: Mr Freddie Craig, managing director of the newly-formed distribution division; Mr Ronnie Irving, president of Merchants Refrigerating Co, and Mr Christopher Mack, managing director of the newly-formed specialist services division.

*

EVANS OF LEEDS has made two appointments: Mr David Helliwell has joined the group as group estates surveyor and director of the main property owning company, F.R. Evans (Leeds). He was previously a director of Metestates, the portfolio management arm of MEPC. Mr Bill Gibson, group joint secretary, joins the board of the group's administrative company, F.R. Evans (Administration).

*

The DEE CORPORATION has appointed Mr David A.H. Brown its company secretary. He is also deputy group legal adviser.

*

BIRMID QUALCAST has appointed Mr David L. Tucker as a non-executive director. He was deputy managing director of the M & G Group.

*

Mr Ronald Kett has been elected president of the CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS. He succeeds Professor Michael Bromwich. The vice presidents are: Mr Dudley Mead and Mr Ronald Griffin.

*

Mr Albert King has become group finance director at MAGNET.

*

PERKINS ENGINES has appointed Mr Peter Whitaker sales and marketing director of its Peterborough engines business unit. He was sales and marketing director of Seddon Atkinson Vehicles.

*

Dr George V. Wood has been appointed managing director of RANGER OIL (UK) from July 1. He was chief executive of BP China. He replaces Mr Gordon H. Bowman, president of Ranger Oil, who is returning to the company's headquarters in Calgary, Alberta.

*

Following a recent management buyout, Mr Robin Jenkin has been appointed chief executive of the EES GROUP, the holding company formed to acquire European Electronic Systems.

*

Mr Simon Dixon has become managing director of YELLOWHAMMER FINANCIAL. He was client services director of Charles Barker City.

*

Mr John Armstrong has been appointed managing director of BELSTAFF INTERNATIONAL, the specialist clothing subsidiary of the James Halstead Group. He was previously with Crowther menswear division.

*

At MONOTYPE CORPORATION Mr Tom Ely has joined the board as director-international operations. He also becomes chairman of the European management board.

*

Mr Peter Clark has been appointed managing director of CARLESS EXPLORATION. He was operations director. Dr Eric Bosshard remains chairman.

*

RESORT HOTELS has appointed Mr John Levis its operations director.

*

At TYNE TEES TELEVISION Mr Ian Ritchie has become director of resources. He comes from Granada where he was head of production services.

*

BROWN SHIPLEY HOLDINGS has made Mr Francesco M. Rossi a member of the executive committee and head of the international investment banking division. He was previously vice president with Merrill Lynch International & Co in London.

*

Mr J.W. Webb, general manager of ANDREW WEIR INSURANCE CO, is to retire on June 30. He will remain a director. On July 1 Mr J.T.R. Solder becomes general manager and Mr P.R. MacMillan succeeds Mr Solder as aviation underwriter.

*

Mr Michael Heap has been appointed managing director of MGM/UA HOME VIDEO UK. He joins MGM/UA from the Legend Music Group (part of the Prestwich Group) where he was managing director.

*

Mr Steven Otley has become managing director of PATERSON-BRONTE, a Scottish shortbread, oatcake and biscuit manufacturer. He comes from Esk Frozen Foods, where he was operations director for almost three years.

*

APPLIED BIOSYSTEMS has made Mr Peter Colley managing director of the UK subsidiary. He replaces Mr Bernard Herd who now concentrates on his duties as vice president, Europe.

Robert Horne held back to £7m

BY RAY BASHFORD

Robert Horne, Britain's biggest independent paper merchant and distributor, felt the impact of heightened competition during the six months to March 31 1988 with the increase in pre-tax profits restrained to 12 per cent from £6.2m to £7.01m.

Reflecting the effect that competition has had on profit margins, turnover during the same period rose 24 per cent from £72.2m to £89.6m.

Sir Kenneth Berrill, chairman, said the result represented "steady progress", aided by a "modest" increase in market share.

The paper merchanting division last year accounted for 94 per cent of group pre-tax profits.

Sir Kenneth said, however, that subsidiaries outside this mainstay businesss boosted their contributions to over 10 per cent for the first time during the period under review.

The other divisions – Atkins and Cripps, the hardwood importer, Trutite, industrial fasteners group and Spectrum Adhesive Coaters – were expected to show continued improvement during the current half year.

Robert Horne is advanced in a plan to expand through acquisition into office equipment and is considering the purchase of up to three companies with turnovers of between £2m to £10m a year.

Investment during the six months under review totalled £2.2m with £1.6m allocated to the purchase of the freehold and refurbishment of the group's Northampton headquarters.

The interim dividend has been lifted from 2p to 2.5p, but Sir Kenneth added that the higher interim did not imply that the the final payout will be altered.

comment

The appearance of several new companies in the paper merchanting business has forced Robert Horne to deliberately lower its profit margins and rely on market expansion to generate higher earnings. With volume growth in the sector running at 16 per cent there is ample scope for turnover to maintain its present upward trend. However, the decline in the group's market share from 15 to 12 per cent during the past three years has reduced the potential for profits growth. Product price increases introduced during the first half will flow through during the current six months, assisting the full result. The strong balance sheet will comfortably cover the £4m earmarked for capital expenditure in the next 18 months, on top of the £2.2m invested during the March half. Pre-tax earnings for the year are set to reach £15m (£13.1) to return an earnings per share figure of 30.3p and a prospective p/e on the non-voting shares of around 10.

Airsprung maintains second half growth

FURTHER GROWTH in the second half has given the Airsprung Group a pre-tax profit of £2.58m for the year ended March 31 1988, compared with £1.77m.

The directors said that every subsidiary within this USM quoted maker of beds and allied products contributed to the result as demand remained high.

Turnover moved up to £29.34m (£24.58m) and produced a gross profit of £8.15m (£6.62m). Earnings came to 27.8p (18.6p) and the proposed dividend is 7.4p (5.9p), the final being 4.2p. Also proposed is a one-for-two scrip.

This year the group had obtained additional new business, and continued its efforts to push up exports in readiness for the single European market.

Additions to the Airofreem and Gainsborough premises have been completed, and to meet the exceptional demand for pine beds and furniture a factory will be built at Rotherham to replace existing facilities. The new unit should be in production by early 1990.

London Scottish

London Scottish Bank improved profits by 25 per cent from £1.05m to £1.31m for the half year to April 26 1988. Turnover was up 18 per cent to £9.44m against £7.97m.

The directors said following a dull Easter, business was building up again. Earnings per share were 2p (1.6p) and the interim dividend is lifted to 0.65p (0.55p).

Bassett advances to £4m

Bassett Foods, Sheffield-based confectionery manufacturer, yesterday reported a £420,000 rise in profits to £4.03m pretax for the year to April 1 1988.

Sales pushed ahead from £77.37m to £81.63m but gross profits worked through little changed at £24.2m (£24.47m).

At the pre-tax level profits benefited from a reduction in distribution costs to £13.8m (£14.27m). There were also lower administration expenses of £5.47m (£5.68m) and reduced interest charges of £775,000 (£818,000).

Earnings amounted to 23.44p (21.02p) and a proposed final dividend of 5.74p (5.29p) raises the total from 7.24p to 7.81p.

All the UK-based manufacturing companies performed satisfactorily.

BV de Faam, the Dutch subsidiary, had a successful year, showing encouraging growth in its domestic market.

Wilkinson-Spitz of the US was the only subsidiary not to contribute to group profitability.

Clayhithe nears £3m and has expansion in mind

PROFITS OF Clayhithe, a former unquoted investment company which last summer reversed into Betec, a quoted engineering group, totalled £2.85m pre-tax for the 12 months to end-March 1988.

The figures included those of the Betec engineering companies for the 12 months to end-December 1987. These companies will continue to draw up their accounts to December 31 even though the group has changed its year-end to March 31.

For the year to the end of March 1987 adjusted pre-tax profits for the enlarged group are shown as £2.29m.

Undiluted earnings for the period to last March worked through at 11.84p (10.26p) and fully diluted they were 11.12p (9.71p). The dividend for the 15 months to end-March totals 3p, the proposed final being 2.25p. The former Betec group paid a total of 2.2p for the 1986 year.

The directors pointed out yesterday that the changes that had taken place over the past year had laid the foundations for a strong group with two operating divisions – active investment and property. They said each was soundly based and had excellent prospects.

It was intended to develop the group's activities into a number of new but complementary areas, including the establishment of a third division. This would probably operate in specialist service areas such as finance, property and human resources and should further strengthen the balance of the business.

Currently, the balance sheet has net liquid assets in excess of £3m.

Prestwick issue

Prestwick Holdings, maker of printed circuit boards, plans to finance expansion through a £2.85m issue of 3,010,306 7.25 per cent convertible preference shares.

The company has forecast pre-tax profits of at least £1.3m for the year to July 31, representing a second half result of £1m.

StanChart Canada in profit again with $4.9m

By David Lascelles, Banking Editor

Standard Chartered Bank of Canada, Standard Chartered's Canadian subsidiary, is back in profit after accumulating large losses last year. The bank yesterday reported a net profit of C$4.9m (£2.25m) for the first six months of the financial year.

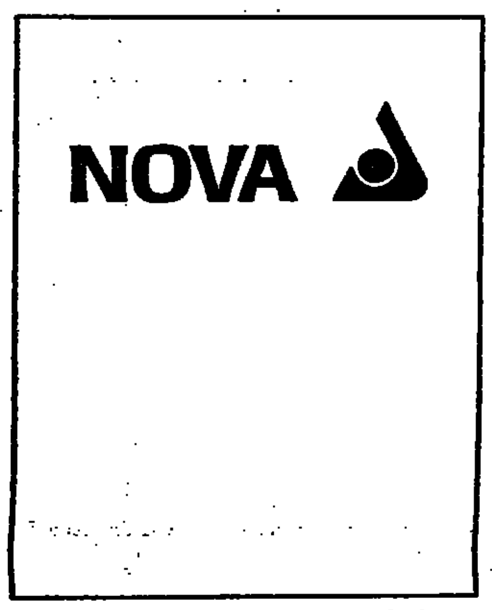
Mr Roderick Henry, chairman, said he was pleased that the progress shown in the first quarter had continued into the second, "arising from actions taken to overcome the difficulties of last year".

"There is every indication that this solid performance will be reflected throughout the remainder of the year," he forecast.

In the first six months of last year, Standard Chartered Bank of Canada made a profit of C$1.3m, but ended the year with a loss of C$81m after making substantial provisions for bad debts. The loss led to a change of management.

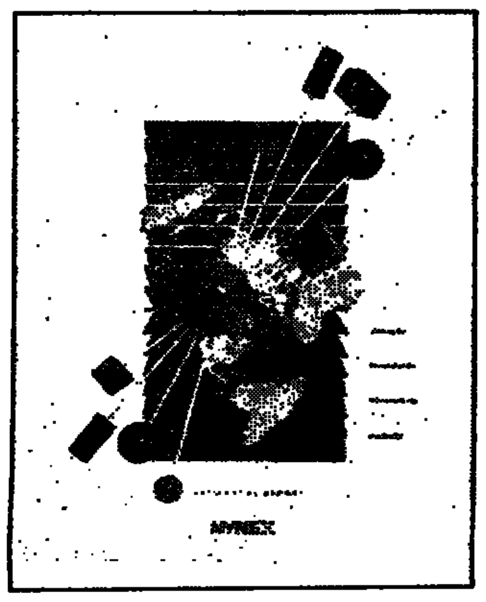
Annual Update 3

Part 2 was featured on June 15th.



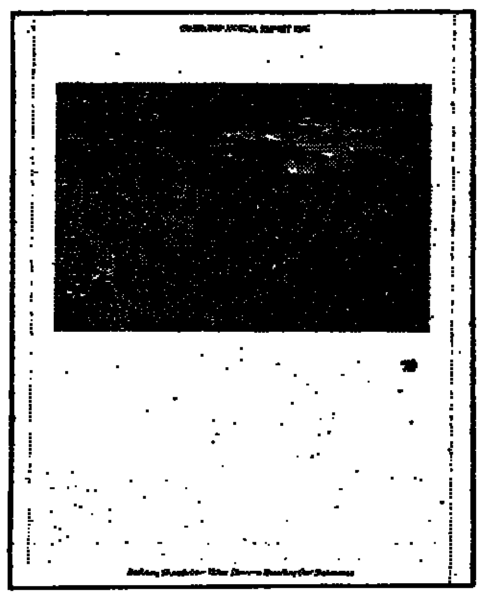
Nova Corporation of Alberta

Nova Corporation of Alberta is a major Canadian petrochemical and pipeline company headquartered in Calgary, Alberta, Canada. Other investments include jointly controlled Husky Oil Ltd., international manufacturing operations, engineering consulting, research and product development.
In 1987, NOVA's assets of $4.7 billion generated $2.3 billion in sales and $179 million in net income. The NOVA companies employ about 7,100 people in Canada, the United States, Europe and Pacific Rim countries.



NYNEX

NYNEX is a leader in the information industry with assets of $22.8 billion and a telecommunications heritage of more than 100 years. Our two telephone companies provide advanced network services, and we have ten other companies in information and office systems, business services, software, and publishing. In today's Information Age, the answer is NYNEX.

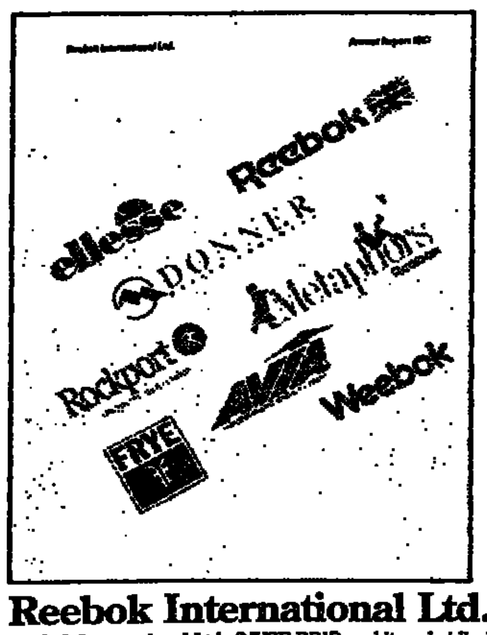


PacifiCorp

A diversified electric utility, PacifiCorp (NYSE/LSE: PPW) derives 51 percent of its $2.2 billion in annual revenues from non-electric sources. Operations include Pacific Power, the largest investor-owned electric utility in the Pacific Northwest; NERCO, a coal, silver and gold mining subsidiary; Pacific Telecom, a telecommunications subsidiary, and PacifiCorp Financial Services, an asset-management firm. 1987 EPS: $3.60 - up 4 percent from 1986. Annual dividend: $2.64.

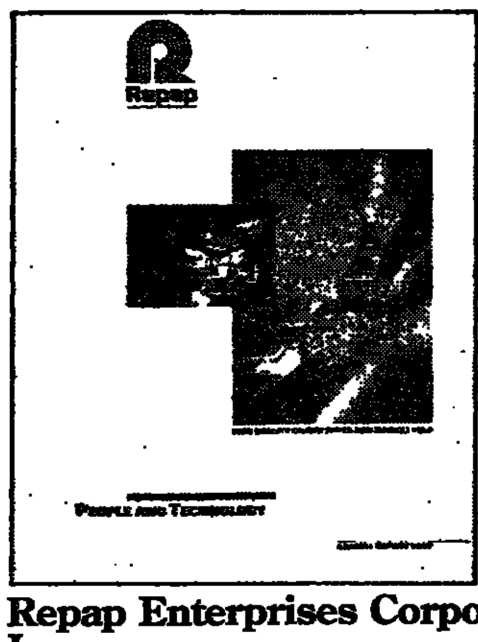
Placer Dome Inc.

Placer Dome Inc. (NYSE: PDG) is one of the world's most important gold producers with nine gold mines in Canada, the United States and Australia. New production from three gold mines under construction will increase Placer Dome's share of gold production by more than 40% to over 1.1 million ounces per year and maintain its low average cost.



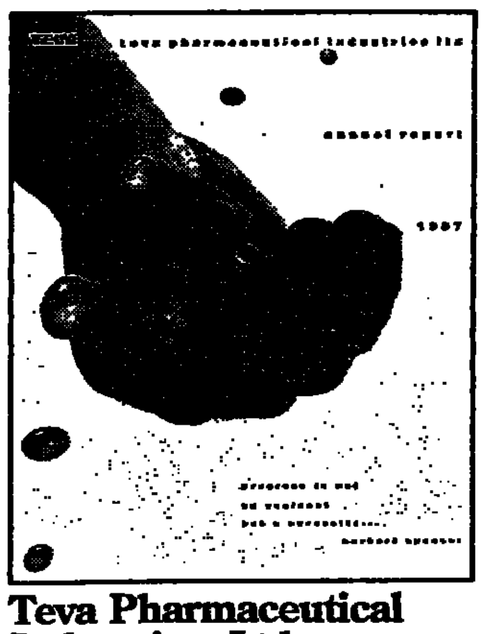
Reebok International Ltd.

Reebok International Ltd. (NYSE:RBK) and its subsidiaries design and market high-quality athletic and casual footwear and apparel worldwide, principally under the brand names "Reebok", "Avia", "Rockport" and "Ellesse."
In its annual survey of American business, Forbes Magazine ranked Reebok International first among major U.S. companies in sales growth, earnings growth and return on shareholders' equity for the past five years.



Repap Enterprises Corporation Inc.

Stronger markets, increased capacity and on-going modernization and expansion programs resulted in a year of record growth and profits for Repap Enterprises Corporation Inc., a fully integrated North American coated paper and pulp company. Assets reached $1.5 billion while net income increased to $62.5 million from $13 million in 1986. Repap, with its modern, cost-efficient assets and new capacity coming on stream, is well positioned to take advantage of current favourable market conditions for coated paper and market pulp.



Teva Pharmaceutical Industries, Ltd.

Teva Pharmaceutical Industries, Ltd. (NASDAQ: TEVIY and Tel Aviv) is active in the development, manufacture and marketing of human pharmaceuticals, fine chemicals, medical disposables, surgical sutures, veterinary products, baking yeast and related products. With eight decades of experience, Teva's ongoing expansion has enabled it to become the industry leader in Israel, and a supplier to 50 countries with the major portion marketed in the United States. Teva, Israel's 12th largest industrial company, had 1987 sales of $150 million and net income of $16 million.

Part 2 was featured on June 15th.

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COMMODITIES AND AGRICULTURE

Opec faces tension after failing to settle top issues

BY RICHARD JOHNS IN VIENNA

OPEC FACES six months of tension, raising fears of increasing production indiscipline, after failing to deal with oil main issues on its agenda. Chances of raising prices to the $18-a-barrel oil target set 18 months ago now seem remote.

Its ministerial conference ended in Vienna late on Tuesday with Opec as deeply split as ever between:

● A minority of members with substantial oil reserves, mainly wanting to raise market share.

● A majority wanting to maximise per-barrel revenues.

Four conservative Gulf-Arab producers – Saudi Arabia, Kuwait, the United Arab Emirates and Qatar - continue to take a much more optimistic view about the likely demand for Opec crude in this second half than the rest and, indeed, Opec's secretariat.

The conference, as expected, rolled over for a further six months the agreement, dating to the end of 1986, on a 15.05m barrels-a-day ceiling on the collective output of 12 of the 13 Opec members.

There was general recognition that the problem posed by Iraq's exclusion from the output-sharing system had to be tackled but little progress was made towards solving it. However, it seems Iran may concede parity for Iraq equal to its entitlement of 2.37m b/d under the pact.

At the same time Saudi Arabia and Kuwait remain adamant the 300,000 b/d from the Neutral Zone, shared equally between them, and which they are "loaning" to Iraq, is part of its quota and that the territory as a whole, from which recent yield has been as high as 450,000 b/d, is outside the sharing system.

As a veteran observer of Opec put it, the Neutral Zone has become "the phantom 14th member."

The UAE's repudiation of its 948,000 b/d quota can only act as a stimulant to production indiscipline by other members.

There seems a real danger of a drift towards the kind of free-for-all of the first half of 1986 which had such a disastrous effect on price levels.

Definition of the difference between light crude and condensates has been entrusted to a committee of experts which will report to the next scheduled conference, set for November 21.

Kuwait and Saudi Arabia have threatened to treat more than 1m b/d of their present output as condensates, therefore outside the scope of Opec's existing output-sharing pact, if Venezuela continues to classify as such anything with an API gravity of more than 40.2 degrees.

Sheikh Ali Khalifa al Sabah, Kuwait's Oil Minister, yesterday said any definition would have to be easily applicable, one which Klynveld Kraayenhof, the Dutch auditing firm employed to monitor members' production and exports, could understand.

Venezuela has rejected gravity of gas-oil ratios as a criterion, arguing in favour of a far more complex reservoir engineering definition.

Opec's current condensates output is reckoned to be about 600,000 b/d out of a 1.7m b/d total volume of natural-gas liquids, including also ethane, propane, pentane and natural gasolene.

Also yet to be decided is whether own-use oil consumption accounted for by industry operations, refinery fuel and processing losses, amounting to anything from 500,000 b/d to 700,000 b/d, should be included in output quotas.

Most members regarded the appointment of Dr Subroto as secretary-general, and his willingness to serve, as the meeting's most positive outcome. The post has remained unfilled for six years, largely because of Arab-Israeli differences.

MR ARNE OEIEN, Norway's oil and energy minister, yesterday reaffirmed Norway's commitment to support the Opec cartel's efforts to achieve a $18-a-barrel oil price.

He rolled over a 7.5 per cent cut in Norwegian oil output, for a new six-month period, writes Karen Fossli in Oslo.

Norway, western Europe's biggest producer behind the UK, has been cutting oil output by 7.5 per cent every six months since the start of last year.

In spite of Norway's pledge, its oil output is continuing to rise. The pledge merely limits the speed of the increase, to 7.5 per cent less than planned growth for the rest of this year.

Norway is producing about 1.1m barrels of oil a day, slightly under its annual average of 1.2m b/d. Two Norwegian observers, one from the Foreign Ministry and another from the Oil and Energy Ministry, were in Vienna for the Opec meeting.

Stefan Wagstyl in Tokyo on the proposed LME aluminium warehouse for Japan

Osaka clout may square competing interests

A London Metal Exchange warehouse for aluminium is likely to be opened in Japan this year in the hope of easing recent wild fluctuations in world prices.

The proposed warehouse could relieve acute stock shortages on the exchange, the world's largest metals market, which have severely disrupted trading in aluminium.

It could also ease the difficulties of the Japanese aluminium-fabrication industry, which alone accounts for 30 per cent of the world trade in unwrought aluminium.

Japanese companies use the LME extensively to protect themselves against price swings but without a warehouse their efforts are severely handicapped in times of acute shortage.

Argument over the warehouse has raged for more than two years. It has covered, among other things, Japan's willingness to deregulate markets, the future of the Japanese domestic aluminium industry, and the powerful regional rivalry between Tokyo and Osaka, Japan's second city.

Japanese aluminium-users and metal-traders have mostly backed the idea from the start. However, the plans have been opposed by Osaka business leaders. They fear an LME warehouse would concentrate trade in the hands of Tokyo-based companies. They want, instead, for creation of a separate Japan Metal Exchange, in Osaka.

The surge in aluminium prices since early last year injected a sense of urgency into the debate. Severe shortages of metal, compounded by attempts by some large international traders to squeeze supplies, have driven up prices.

On the LME the cash-metal price soared above that for metal for delivery in three months' time. Cash aluminium in the past year has traded at high premiums, sometimes above £650 a tonne, instead of at a modest discount to three-month metal.

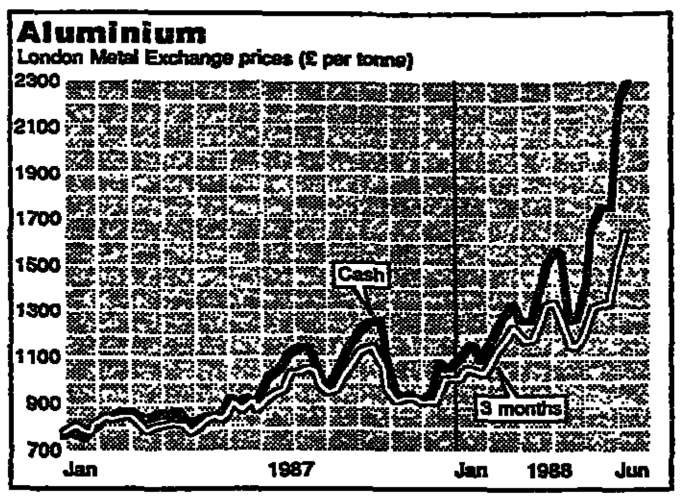
Japanese aluminium-users have been unable to use the exchange's futures contracts to hedge effectively, or to protect themselves against price swings. Mr Steve Shimizu, editor of Metals and Futures in the Far East, a trade magazine, says: "There have been several conspicuous cases of aluminium-fabricators suffering unexpected losses."

The industry's complaints have convinced the Ministry of International Trade and Industry (Miti) to accelerate its consideration of the plans for a Japanese warehouse.

Also the LME this year revised its rules to shorten the period of notice required for setting up a warehouse. This would enable one to be open from July next year. However, the authorities are considering changing the rules again, to allow a warehouse to be open possibly from as early as this September.

The Japanese aluminium industry is much more vulnerable to world price fluctuations than it was 10 years ago. The market has been transformed by the spread across the world of contracts based on free-market prices which eroded the traditional system of fixed prices posted by big, mainly North American, producers.

Moreover, the influence of free-market prices within Japan has been magnified by the near-demise of the high-cost domestic aluminium-smelting industry which produced under 50,000 tonnes of metal last year, against more than 1m tonnes annual output in the late-1970s. Imports have soared from less than a third of total consumption to almost all of the 1.9m tonnes used last year. A cosy system of producers posting prices was replaced by the free-for-all of the world market.



Japanese companies tried to compensate for the loss of domestic supply by investing in overseas production and also securing long-term contracts. Nevertheless, Japan Aluminium Association says about 40 per cent of last year's imports came from the spot market, where companies are most vulnerable to price swings.

However, in the typical Japanese way of squaring competing interests, the price industry may have to pay for aluminium, for getting its LME warehouse soon, could be an agreement to back establishment of the proposed Japan Metal Exchange.

Mr Keishiro Kawamo, director of the non-ferrous metals division at Miti, says the proposed JME could be set up for aluminium trading "at the same time as the LME warehouse, or soon after."

The natural place for the market might seem to be Tokyo. International metals traders in Japan have mostly set up offices in Tokyo – including Rudolf Wolff, Shearson Lehman Hutton and Gerald Commodities. Also, important metals companies including the five biggest steelmakers have headquarters in the capital.

However, the strongest supporters of the proposed JME are in Osaka, among them locally-based Sumitomo Electric Industries, one of the largest cable companies, which, unusually in Japan, is opposing the consensus among most other aluminium-fabricators in favour of an LME warehouse.

Mr Shimizu says: "The degree of confrontation over this issue in the non-ferrous metals industry between Sumitomo Electric and three aluminium-rolling companies, namely Sumitomo Light Metal (a company in the same industrial grouping), Kobe Steel and Furukawa Aluminium created quite a public stir."

Critics of Osaka's plans question whether a Japanese metals market would be liquid enough not to be manipulated. Mr Koh Nakae, chairman of an aluminium-industry committee which has studied the plans, says: "It's very easy to set up a new market but very difficult to create liquidity."

However, politics may matter more than economics in deciding the issue, given that the Osaka business community has great clout. The city is simultaneously pressing to quarter the proposed Japanese financial futures market and adding its voice to debate about the possible relocation of some government offices outside Tokyo.

Meanwhile, whatever happens in aluminium, Japan is unlikely to see the early opening of an LME warehouse in copper.

The high-cost domestic mining industry has been severely cut. However, the market is dominated by domestic smelters which are fed by imports of concentrates supplied on long-term contracts, often via the giant Japanese trading houses such as C.Itoh.

Prices in this close-knit network are set in the domestic market by Nippon Mining, the largest producer, which generally follows the LME prices but tends to smooth out peaks and troughs. The industry would see an LME copper warehouse as a threat to these cosy arrangements, not to mention the Y15 a kilogram protective import tariff that it enjoys.

Queensland coal strike may spread

BY BRUCE JACQUES IN SYDNEY

THE FRAGILE peace of Australia's A$5bn-a-year coal-export industry has been broken with a 10-day strike by Queensland's 8,000 miners.

Further, the Queensland strike, already estimated to cost the nation about A$414m a day in lost exports, seems likely to spread to New South Wales,the other big coal-production state.

Queensland miners walked out yesterday over attempts by coal companies to change work practices. Stopwork meetings to protest the work-practices issue, which has been simmering for months, have been organised at all NSW mining centres.

The Queensland strike began yesterday when Queensland Coal Association, the state employer body, asked the Coal Industry Tribunal to introduce seven-day rostering at some mines.

The Combined Mining Unions' national liaison committee was this year empowered by members to call an immediate strike if any company tried to change work practices.

The unions insist weekend work be done only on a voluntary basis but coal companies say seven-day rosters are essential if the industry is to remain competitive.

The only chance of shortening the strike seems to rest with a hearing before the tribunal next Tuesday. However, analysts are predicting that even short stoppages would lead to mine closures.

Brazilian coffee damaged by frost

SENIOR Brazilian Coffee Institute (IBC) officials have confirmed that a frost on June 4 and 5 damaged part of the coffee crop in the state of Parana, which accounts for 10 per cent of Brazil's output, Reuter reports from Londrina.

They said most of the damage would be felt in next year's harvest although there would alsobe some fall in the quality of the harvest now in progress.

However, officials emphasised the effect of the frost on Brazil's overall output this year and next would be slight.

"This frost 15 years ago would have wiped out 50 per cent of Parana's production, which would have been 25 per cent of Brazil's production," said Mr Luiz Carlos Martins Swarca, head of the institute's Londrina agency in the heart of Parana's coffee belt.

However, Parana no longer accounted for this share of Brazil's coffee.

Soviet coins policy decided

By Kenneth Gooding

THE Soviet Union is not to become embroiled, for now, in the highly-competitive bullion-coin business. Gold, silver, platinum and palladium coins it will launch this October will carry a hefty premium on precious-metal content and be aimed only at coin-collectors.

This was said by Mr Eugene Uljanov, general manager of Vnesheconombank which has sole legal authority to sell Soviet gold on international markets.

He said Mezhnumizmatika, a joint-venture company, had been set up, responsible for marketing coin, gold nuggets, metals and other items.

Shareholders are the State Bank, Vnesheconombank and Ost-West Handelsbank of Frankfurt. Others, from the Soviet Union and the West, might become involved, he said.

Signs of progress in EC farm price talks

BY TIM DICKSON IN LUXEMBOURG

THE FIRST signs of progress in this year's slow-moving talks on farm prices emerged in Luxembourg yesterday when the European Commission indicated its willingness to compromise on the central issue of green-currency reform.

At the same time it emphasised its proposal was subject to key conditions including a 1 per cent cut in the European Community sugar price.

The Brussels executive, in a paper given yesterday morning to farm ministers of the Twelve, said it was prepared to table a proposal for cutting the current level of so-called negative monetary compensatory amounts (MCAs).

These are border taxes and subsidies designed to even out short-term currency fluctuations and to prevent distortion of internal EC farm trade.

This cut would be achieved by devaluing the green currencies, which translate common Ecu-denominated farm prices into local money, which raises guaranteed prices paid to farmers in national currencies.

The commission said the changes spelt out yesterday – 1 percentage point for France and Ireland, 1.5 points for Italy and 3 points for the UK – were part of a four-stage plan for dismantling all "negative -monetary- gaps existing for those currencies which respect the European Monetary System disciplines" between now and 1992.

However, stage one would not take place until next January 1, except in the case of Greece, which would get a 10-point dismantlement from the start of this marketing year and a further 2.5 points next January.

The green-rate decisions on beef and veal, moreover, would only be taken when longer-term reforms proposed for those sectors were finally adopted by member-states.

Most observers last night were cautious about predicting a successful outcome to this week's meeting. They emphasised the wide differences which remain between delegations.

In an effort to break the deadlock, the commission – which initially proposed a price freeze for most products – and the West German presidency of the Farm Council were expected to try to draft a joint compromise overnight.

The strongest opposition yesterday appeared to be coming from Italy, Spain and Greece, which called for several price rises on Mediterranean products – but the new French Agriculture minister, Mr Henri Nallet, was also unhappy with the emerging package.

He said it was quite unacceptable for the commission to link its green-currency adjustments to a new demand for a 1 per cent cut in the institutional price of sugar.

In another surprise development the commission also said its agri-monetary proposals hinged on the council's acceptance of a new 500,000-tonne EC milk quota reserve to help some of those producers who were deprived of a quota when the scheme was introduced in 1984.

On monthly increments paid to cereal producers the commission would only say these need to be cut. However, it is unlikely the West German plan for a 15 per cent cut will be considered enough.

WORLD COMMODITIES PRICES

LONDON MARKETS

LONDON soyabean meal futures rose sharply on panic shortcovering yesterday afternoon as the Chicago market opened limit up following forecasts of continued dry weather in the parched US Midwest corn and soyabean belt. The movement in Chicago sparked a rise in silver prices, which moved ahead on Comex, pushing London bullion prices up 20 cents to 713 cents an ounce at the close. Silver led both gold and platinum upwards, and gold returned to above the $450 an ounce level to $452.75. Overhead resistance around $453 held firm but good underlying support was evident whenever the price threatened to fall, dealers said. On the LME all the base metals registered advances after the shake-out of the past two days – except nickel, which retreated in patchy trading amid signs of easing in nearby supply tightness. Business was mainly between merchants, with most major consumers remaining on the sidelines, traders said.

COCOA £/tonne

	Close	Previous	High/Low	
Jly	919	913	919	910
Sep	942	932	943	932
Dec	970	962	970	962
Mar	995	986	995	986
May	1014	1005	1013	1005

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	3285-95	3595-615		3850-60		
3 months	2855-65	2785-95		2795-805	2840-60	5,337 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 44,050 tonne

US MARKETS

AFTER MOVING narrowly in early trading, the precious metals rallied sharply mid-day as trade buying, especially in the silver, touched off stops, reports Drexel Burnham Lambert. However, all the precious metals failed to penetrate overhead resistance and fell back as profittaking emerged before local and mixed buying towards the close lifted values off the lows. Copper rallied on fund, commission house and local buying in the face of arbitrage selling, but finished with pared gains as locals liquidated longs on the close. Energy futures eased on profittaking, speculative and technical selling in the face of trade scale-down buying. The A.P.I. statistics were construed as neutral, but unleaded gasoline derived some support from them. Coffee eased with early commission house sell stops, but recovered on short-covering as rumours abounded concerning weather in Brazil. Sugar failed to hold above the 10c level, and eased on long-liquidation. Cocoa was firm on commission house and local buying.

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	16.55	16.83	16.77	16.54
Aug	16.62	16.93	16.87	16.62
Sep	16.66	17.00	16.93	16.66
Oct	16.70	17.04	16.97	16.70
Nov	16.75	17.05	16.98	16.72

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	920/0	890/0	920/0	913/0
Aug	924/0	894/0	924/0	919/0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses momentum

THE EUPHORIA created by April's encouraging US trade data evaporated yesterday, as the dollar failed to attract any strong follow through demand. Investors were faced with something of a dilemma. While dollar bears have received a bloodied nose from Tuesday's figures, the bulls feel restrained by fears of central bank intervention and a desire to keep currencies on an even keel ahead of the weekend's G7 summit in Toronto.

In addition, data released in Washington yesterday was regarded as being somewhat neutral. Retail sales figures for May showed a rise of 0.1 p.c. after an adjusted 0.4 p.c. decline in April, while the non-auto element rose by 0.5 p.c. against an April decline of 0.3 p.c. Industrial production was up by 0.4 p.c., double that of the mean forecast, compared with a revised 0.6 p.c. increase in April.

The dollar closed at DM1.7530 from DM1.7465 and Y126.20 compared with Y126.40. Elsewhere it finished at SFr1.4660 from SFr1.4625 and FFr5.9125 compared with FFr5.8900. On Bank of England figures, the dollar's exchange rate index rose from 94.3 to 94.5.

Sterling benefited from the dollar's hesitation and built on a steady opening, as investors took profits and switched funds into sterling. The pound is still regarded as a high yielding currency and seems likely to benefit from any check in the dollar's rise.

The pound rose to $1.7865 from $1.7850 and DM3.1325 compared with DM3.1175. It was unchanged against the yen at Y225.50, and finished elsewhere at SFr2.6200 from SFr2.6100 and FFr10.5625 against FFr10.5150. Its exchange rate index finished unchanged from Tuesday at 76.4, having opened at 76.3.

The D-Mark suffered as investors showed some disappointment with the Bundesbank's decision to leave interest rates unchanged. There had been speculation that higher rates would be introduced, following the dollar's sharp rise.

While a higher dollar may help to curb inflation in the US without higher interest rates, it will ultimately have the opposite effect in West Germany, dealers argued, with a lower D-Mark putting upward pressure on inflation.

The French franc was slightly weaker against the D-Mark in Paris. It was fixed at FFr3.3725, and although this was down from FFr3.3737 at the start, it was up from FFr3.3685 on Tuesday.

News that President Mitterand had asked Mr Michel Rocard to form a minority Socialist government appeared to have little effect, although this could in the extreme mean depending on the Communists for some parliamentary support

Elsewhere the D-Mark is expected to lose ground against the Swiss franc, despite breaking through resistance at SFr0.8355 earlier this week. Recent Swiss inflation figures have given rise for concern. Data released yesterday showed wholesale prices rising by 0.2 p.c. in May, to give a year-on-year increase of 2.2 p.c. However, West German prices for May - also released yesterday - while higher by 0.3 p.c., showed only a 0.5 p.c. increase from the same month last year.

Since the middle of April, the interest rate differential of around 1¼ p.c., enjoyed by Euro D-Marks over Euro Swiss franc deposits, has contracted to just half a point. The D-Mark finished at SFr0.8363, down from SFr0.8370 on Tuesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4335	+2.30	+1.02	±1.5344
Danish Krone	7.85212	7.88075	+0.36	-0.92	±1.5404
German D-Mark	2.05853	2.07811	+0.95	-0.33	±1.0981
French Franc	6.90403	7.00597	+1.48	-0.20	±1.3674
Dutch Guilder	2.31943	2.33342	+0.60	-0.68	±1.5012
Irish Punt	0.768411	0.776088	+1.00	-0.28	±1.6684
Italian Lira	1483.58	1542.74	+3.99	+3.26	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

June 15	Latest	Previous Close
£ Spot	1.7875-1.7885	1.7855-1.7865
1 month	0.08-0.07pm	0.07-0.06pm
3 months	0.48-0.45pm	0.37-0.34pm
12 months	2.17-2.07pm	1.70-1.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 15	Previous
8.30 am	76.3	77.0
9.00 am	76.3	76.9
10.00 am	76.3	76.9
11.00 am	76.4	76.8
Noon	76.3	76.9
1.00 pm	76.3	76.8
2.00 pm	76.3	76.6
3.00 pm	76.4	76.4
4.00 pm	76.4	76.4

POUND SPOT- FORWARD AGAINST THE POUND

June 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7825-1.7885	1.7860-1.7870	0.09-0.06cpm	0.50	0.49-0.44pm	1.04
Canada	2.1720-2.1795	2.1720-2.1730	0.15-0.25cdis	-1.10	0.25-0.38dis	-0.58
Netherlands	3.50-3.52¼	3.51¼-3.52¼	1⅜-⅞cpm	3.83	4¼-3⅞pm	4.48
Belgium	65.05-65.50	65.35-65.45	18-5cpm	2.11	52-34pm	2.63
Denmark	11.80½-11.88¾	11.87-11.88	⅛pm-1⅛oredis	-0.51	1¼pm-½dis	0.13
Ireland	1.1625-1.1705	1.1675-1.1685	0.11-0.19pdis	-1.54	0.45-0.60dis	-1.80
W. Germany	3.11¼-3.13½	3.13-3.13½	1½-⅞pfpm	4.31	4½-3½pm	5.06
Portugal	252.40-255.90	254.80-255.80	54-93cdis	-3.45	162-268dis	-3.37
Spain	205.80-206.90	206.40-206.70	20-40cdis	-1.74	40-67dis	-1.04
Italy	2309¾-2325¼	2323½-2324½	2-6lirdis	-2.07	7-13dis	-1.72
Norway	11.33-11.36¾	11.35¾-11.36¾	4¼-5¾oredis	-4.95	12⅞-13⅝dis	-2.64
France	10.51¼-10.56¾	10.55¾-10.56¾	1½-¼cpm	0.99	3¾-2¾pm	1.23
Sweden	10.83½-10.86¾	10.85¾-10.86¾	1½-2¾oredis	-2.14	3¼-4¾dis	-1.59
Japan	225-226	225-226	1-½ypm	3.99	2⅝-2¼pm	4.21
Austria	21.92-22.04	22.01-22.04	8¼-7gropm	4.15	27¼-20¼pm	4.65
Switzerland	2.61-2.62½	2.61½-2.62½	1½-⅝cpm	5.15	3⅞-3⅛pm	5.53

Belgian rate is convertible francs. Financial franc 65.60-65.70. Six-month forward dollar 1.09-1.04cpm 12 months 2.21-2.11cpm

CURRENCY RATES

June 15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.750146	0.665144
U.S Dollar	6	1.36174	1.18695
Canadian $	8.75	1.65819	1.44725
Austrian Sch.	3	16.5247	14.6161
Belgian Franc	6½	49.1248	43.4335
Danish Krone	7½	N/A	7.88075
Deutsche Mark	2½	2.34914	2.07811
[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7825-1.7885	1.7860-1.7870	0.09-0.06cpm	0.50	0.49-0.44pm	1.04
Ireland†	1.5250-1.5330	1.5275-1.5285	0.13-0.23cdis	-1.30	0.43-0.58dis	-1.32
Canada	1.2150-1.2210	1.2150-1.2160	0.15-0.18cdis	-1.63	0.48-0.51dis	-1.63
Netherlands	1.9605-1.9705	1.9680-1.9690	0.59-0.57cpm	3.53	1.71-1.66pm	3.42
Belgium	36.45-36.70	36.55-36.65	5.30-4.70cpm	1.44	16.00-13.00pm	1.58
Denmark	6.62-6.65½	6.64½-6.65	0.30-0.80oredis	-0.99	1.30-1.80dis	-0.63
W. Germany	1.7450-1.7550	1.7525-1.7535	0.57-0.54pfpm	3.80	1.69-1.64pm	3.80
Portugal	142¾-143¼	142¾-143	40-55cdis	-3.99	135-185dis	-4.48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.70-36.80.

CURRENCY MOVEMENTS

June 15	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

June 15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

June 15	£	$
[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

June 15	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Profit taking removes the shine

YESTERDAY'S ACTIVITY in the Liffe market proved to be something of an anti-climax after Tuesday's strong reaction to US trade figures.

Most contracts were virtually unchanged at the end, as profit taking took the edge off the bullish trend established on Tuesday. An upward revision in April US retail sales gave rise to concern that consumer demand was still quite strong.

The September US Treasury bond opened firmer at 89-12 and touched a high of 89-20 before falling away to close at 89-06, unchanged from Tuesday's close. The contract held above a support level at 89-00, touching a low of 89-02. But dealers voiced concern that a further limit up movement in corn and soybean futures increased concern about inflation.

Long gilt futures finished virtually unchanged. The September contract touched a low of 97-02 at one point but closed at 97-09, down from 97-15 at the opening but barely changed from Tuesday's close of 97-10. The prospect of higher interest rates to curb inflationary trends still provided a bullish undertone, but with the dollar and US Treasury bonds both failing to build on Tuesday's sharp gains, there was little incentive to move either way.

Three-month sterling deposits were up on the day but slightly down from Tuesday. The September price opened at 90.57 and touched a high of 90.65 before closing at 90.61

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	524	547	6	21
94	334	407	16	45
96	159	244	41	118
98	55	143	137	217
100	19	60	301	334
102	8	31	454	505
104	3	15	649	653

Estimated volume total, Calls 1779 Puts 2321. Previous day's open int. Calls 21845 Puts 25584

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
82	722	700	10	44
84	537	530	25	110
86	358	409	46	153
88	231	301	119	245
90	123	208	211	352
92	44	129	332	509
94	21	61	509	641

Estimated volume total, Calls 85 Puts 11. Previous day's open int. Calls 529 Puts 715

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Jul	Puts-settlements Jun	Puts-settlements Jul
17500	1275	1416	0	31
18000	782	979	7	94
18500	348	612	73	227
19000	89	340	314	456
19500	11	166	736	781
20000	1	70	1226	1185
20500	0	—	1725	—

Estimated volume total, Calls 3 Puts 0. Previous day's open int. Calls 27 Puts 130

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls	Puts
[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls	Puts
[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7865	1.7858	1.7819	1.7759	1.7649

IMM-STERLING $s per £

	Latest	High	Low	Prev
Sep	1.7824	1.7828	1.7784	1.7808
Dec	1.7760	1.7764	1.7740	1.7748
Mar	1.7720	1.7720	-	1.7694

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 88 Vol	Aug. 88 Last	Nov 88 Vol	Nov 88 Last	Feb 89 Vol	Feb 89 Last	Stock
GOLD C	$460	52	9	-	-	-	-	$452.40
GOLD C	$480	209	3.40	13	10.50	-	-	$452.40
GOLD P	$420	20	1.30 A	70	3.50	-	-	$452.40
GOLD P	$440	369	3.30	4	7.70	76	9.50	$452.40
GOLD P	$460	105	12	4	14.50 A	-	-	$452.40

Series		Jun. 88 Vol	Jun. 88 Last	Jul 88 Vol	Jul 88 Last	Aug 88 Vol	Aug 88 Last	Stock
EOE Index C	Fl 205	34	16.50	18	17.30	-	-	Fl. 221.02
EOE Index C	Fl 210	240	11.40	54	13.60	12	14.50	Fl. 221.02
EOE Index C	Fl 215	989	6.50	159	10	5	12.30 A	Fl. 221.02
EOE Index C	Fl 220	409	2.20	953	6.30	37	8.90	Fl. 221.02
EOE Index C	Fl 225	23	0.70	151	4	2	6.80	Fl. 221.02
EOE Index C	Fl 230	-	-	57	2.30	63	4.20	Fl. 221.02
EOE Index P	Fl 205	-	-	218	1.50	3	2.70	Fl. 221.02
EOE Index P	Fl 210	18	0.10	53	2.30	4	4.70	Fl. 221.02
EOE Index P	Fl 215	1	0.10	123	3.90	6	6	Fl. 221.02
EOE Index P	Fl 220	100	1.60	93	5.90	14	8.10	Fl. 221.02
EOE Index P	Fl 225	-	-	65	8	2	10	Fl. 221.02
S/FI C	Fl 185	133	11.50 B	30	11.50 B	-	-	Fl. 196.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 46,031

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates easier on steady pound

INTEREST RATES slipped back in London yesterday as the pound showed a steadier trend. Three-month interbank money slipped, while the one-year rate was lower.

Despite the pound's recovery, many dealers still believed that the authorities retained the option to push rates firmer, without necessarily seeing the pound climb to DM3.20.

UK clearing bank base lending rate 8½ per cent from June 6

Overnight money opened at 6⅞-6¾ p.c. and moved up to 7 p.c. before touching a low of 5½ p.c. Late balances were taken nearer 8 p.c. however.

The Bank of England forecast a shortage of around £450m, with factors affecting the market including bills maturing outside official hands and repayment of any late assistance, together with a take up of Treasury bills adding £215m. In addition, banks brought forward balances £85m above target. These were offset by Exchequer transactions which drained £655m, and a rise in the note circulation which accounted for a further £95m.

The forecast was revised to a shortage of around £600m, and the Bank gave assistance in the morning of £488m through outright purchases of £12m of local authority bills and £476m of eligible bank bills, all in band 4 at 8⅜ p.c. A further revision took the shortage to £550m, before taking into account the earlier help, and the Bank gave additional assistance of £56m through outright purchases of eligible bank bills in band 4 at 8⅜ p.c. Total help came to £544m.

In Frankfurt the Bundesbank made no changes in credit policies or key lending rates at yesterday's meeting of its central council. Dealers were not expecting a rise in the discount or Lombard rates but suggested that the dollar's recent improvement could prompt a higher sale and repurchase rate.

Traders also noted that West German money supply was already running above target, and Japanese short term rates were nudging firmer. Much could depend on the outcome of this weekend's meeting of G7 ministers in Toronto.

In Amsterdam the Dutch central bank accepted bids of Fl 3.1bn for its latest six-day special advances, at an unchanged rate of 3.9 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 15) 3 months US dollars		6 months US Dollars	
bid 7⅝	offer 7¾	bid 7¾	offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9
Broker loan rate	8¾
Fed. funds	7⅞
Fed. funds at intervention	7⅞

Treasury Bills and Bonds

One month	5.93	Three year	8.00
Two month	6.22	Four year	8.18
Three month	6.57	Five year	8.32
Six month	6.88	Seven year	8.57
One year	7.32	10-year	8.73
Two year	7.82	30-year	8.84

June 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.40-3.50	3.35-3.50	3.40-3.55	3.55-3.65	3.75-3.90	4.50
Paris	6⅞-6⅞	7⅛-7⅜	7⅛-7¼	7¼-7⅜	7½-7⅝	7.00
Zurich	1½-1⅞	2¾-3	-	2¾-3	-	-
Amsterdam	3½-4	3⅞-3⅞	-	4⅛-4⅜	-	-
Tokyo	3.40625	3.96875	-	3.96875	-	-
Milan	9⅞-10⅜	10⅞-11⅜	-	11-11½	-	-
Brussels	3.75	5⅞-6⅛	-	6-6⅛	-	-
Dublin	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞	7⅝-7⅞	7⅝-8	-

LONDON MONEY RATES

June 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Capital	255 0	270 3	+5 5	2 93
Balanced	421 4	446 7xd	+8 6	3 30
Accumulator	647 8	688 8	+13 4	3 11
Income Trusts				
American Income	27 8	29 6	+0 4	4 09
High Income	301 5	319 6	+4 3	4 64
Equity Income	179 0	189 7	+2 5	4 12
High Yield	176.5	187 1xd	-3 0	4 94
Govt Securities	30.5	31 6	+0 1	7 75
International Trusts				
Amer Spec Sits	60 6	64.5	+0 7	1 64
European Growth	17 6	18 7		1.34
International	92.7	98 7	+1 5	1 00
Japan	144.9	154.3	+1.5	0 01
Pacific	225 1	239 7	+1 5	0.20
Secs of America	183 6	195 5xd	+2.5	0 88
W'wide Asset Val	26 9	28 6	+0.3	1.05

Bishopsgate Progressive Mgmt. Co
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc	£15 26	16 11	-	1.33
Progressive Acc	£21 42	22.61	-	1.33
International Inc	£15.89	16.77	+0 57	1.71
International Acc	£19 71	20 80	-1.07	1 71
Can & Foreign Inc	180 3	190 3	-	0 96
Can & Foreign Acc	200 9	212 0	-	0 96
Special Sits Inc	159 7	169 0	-	2 42
Special Sits Acc	159 7	169 0	-	2.42

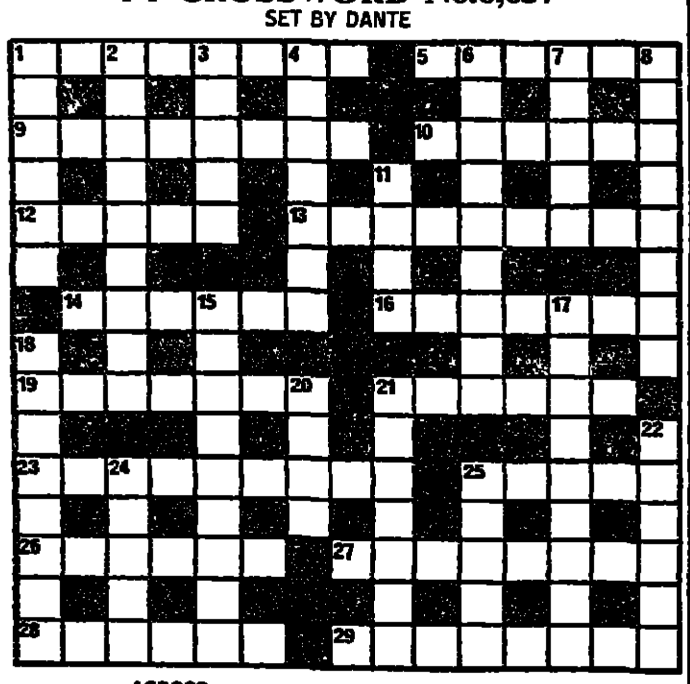
Brewin Dolphin Unit Tst Mngrs Ltd
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital	190 8	203 0	+8 3	0 96
Brewin Dividend	101 4	107 9	+3 1	5.65
Brewin Int Gth Inc	215 4	229.2	+6.9	3.57

JOTTER PAD

FT CROSSWORD No.6,657

SET BY DANTE



ACROSS

1 Bank with the Spanish and get poor measure (8)
5 Charm a number at a fashionable meeting (6)
9 When high water is low (8)
10 Company supported by a voucher (6)
12 Chap meets a girl – Heather? (5)
13 Talented group of relatives (9)
14 Notes a mistake and makes amends (6)
16 Please put in an old-fashioned way (7)
19 Perpetrator of a dark deed (7)
21 Naturally as bright as can be (6)
23 Withdraw from the case (9)
25 Count old money (5)
26 Paper required – the first edition (6)
27 "Rats" top of the bill? (4,4)
28 He could change his name to Arnold or Ronald (6)
29 A rest for anyone who's still alive (8)

DOWN

1 Meal inside the German hotel (6)
2 Ring-fighter pleased to be in the fresh air (9)
3 Run a special edition (5)
4 I've cut the tips for the salad (7)
6 Deep feeling trouble over an allowance (9)
7 Where the goat goes without corn (5)
8 Offered to look after an assemblage of deer (8)
11 Kind of door catch (4)
15 Form empty when filled up (3,6)
17 It may make one smart, top or bottom (9)
18 Court rough with bad kidnapper (8)
20 It *sounds the proper* ceremonial (4)
21 One who feels the heat for one who feels the cold (7)
22 More eager to be a mourner (6)
24 Maker of ropes or sails (5)
25 She's not a graduate either (5)

Solution to Puzzle No.6,656

	A	C	C	O	S	T		S	T	E	P	P	E	
	B		O		I				O		A		L	
C	O	M	M	O	N	S		S	T	A	N	D	U	P
	U		I		U		D		A		A		C	
S	T	O	C	K	S	T	I	L	L		C	R	I	B
			A		I		C				E		D	
	D	E	L	F	T		T	E	A	R	A	W	A	Y
	R				I		A		B				T	
M	A	R	M	O	S	E	T		A	D	A	G	E	
	M		I				I		S		L			
W	A	R	N		F	L	O	W	E	R	G	I	R	L
	T		U		O		N		M		E		O	
B	I	T	T	E	R	N		S	E	T	B	A	C	K
	S		E		G				N		R		K	
	T	A	S	S	E	L		S	T	E	A	D	Y	

هكذا صدر الأصل

FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd
Target Hse, Gatehouse Rd Aylesbury Bks. 0296 394000

American Eagle	61 6	65.6xd	+0 6	1.26
Australia	8 2	8 8	+0 4	0 70
Commodity	80.1	85.2	+0 6	1.06
Convertible	152 0	161 7	+3 1	5 41
Equity	145 4	154 8xd	-1 4	3.17
Euro Spec Sits	78.3	83.2	+1 1	1.51
Financial	31 5	33.5	+0.4	1 00
Global Opps Inc	58.3	62 0	+1.3	-
Global Opps Acc	58.3	62.0	+1.3	-
Gold Income	54.2	57 9	+0 9	0 86
Gold Acc	99 7	105.9	+1.3	0.86
Income	110.0	117 0xd	+2.1	4 61
Japan	128 3	136.6	-1.5	0 10
Pacific Income	115 5	122.8	+1.0	0 86
Pacific Re Inv	143.9	152.5	+1.1	0.86
Preference Share	25.5	27 1	+0 2	6 74
Special Sits	102.6	109 2	-2.3	0.57
Technology	42.0	44.6	+0 4	0 10
UK Capital	90.4	96 2	-0.5	1.27
World Income	50.9	54 1	-1 2	5.29
Worldwide Capital	146.5	155.6	-1.6	1.15
Equity Exempt	111 0	118 1xd	-	1 54
Equity Exempt Acc	212 6	226.2	-	1.54

Templeton Investment Management
20 Copthall Avenue, EC2R 7PA. 01-588 6064

Intl Pen & Ch ties	189.9	93 6xd	-2.2	-

Thornton Unit Managers Ltd
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

J. Rothschild Fund Managers Ltd—Contd.

INSURANCES

AA Friendly Society
Government Mngt M & G Inv Mngt Ltd
AA Friendly Sy May 13 ... — 139 4

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd N Waterloo Liverpool 051-928 6655

Managed Fund	269 8	284 1	-5 2	-
Man Pens Inc & Cap Fds	345 9	364 2	-8 7	-
Money Fund	112 8	118 8	-0 1	-
Pens Mngd Fd (Init)	88 2	92 9	-1.0	-
Pens Mngd Fd (Acc)	100 9	106 3	-1 3	-
Pens FT30 Fd (Init)	129 7	136 6	-3 3	-
Pens FT30 Fd (Acc)	148 3	156 2	-3 9	-
Pens O'seas MgFd(Init)	58 5	61 6	-0 7	-
Pens O'seas MgFd(Acc)	66 8	70 4	+0 9	-
Pens Fxd Int Fd (Init)	107 6	113 3	-0 2	-
Pens Fxd Int Fd (Acc)	123 0	129 5	-0 3	-
Pens Deposit Fd (Init)	101 4	106 3		-
Pens Deposit Fd (Acc)	115 9	122.0	-0 1	-

Premium Life Assurance Co Ltd
37-39 Perrymount Road Haywards Heath 0444 458721

American	93 00	98 00	-0 1	-
Building Soc. Fd.	161 0	170 0		-
Balanced	243 0	256 0	-0 1	-
Deposit	160 0	169 0		-
European	125 00	132 0		-
GT Managed	152 0	160 0	-0 2	-
Gartmore Mngd	102 0	108 0	-0 1	-
German	89 00	94 0		-
Gilt	173 0	183 0	-0 1	-
High Inc.	115 0	122 0		-
International Equity	152 0	160 0		-
Japan	218 0	230 0		-
Managed	54 0	57 0		-
Property	256 0	270 0		-
R. W. Imperial Gold	132 0	139 0		-
UK Equity	318 0	335 0	+0 2	-
Pension Funds				
American	113 0	119 0		-
Building Soc. Fd	152 0	160 0		-
Balanced	184 0	194 0		-
Deposit	150 0	158 0		-
European	122 0	129 0		-
GT Managed	160 0	169 0		-
Gartmore Mngd	98 0	104 0		-
German	85 0	90 0		-
Gilt	143 0	151 0		-
International Equity	111 0	117 0		-
Japan	132 0	139 0		-
Managed	54 0	57 0		-
Property	194 0	205 0		-
UK Equity	272 0	287 0		-

Prolific Life & Pensions Ltd (z)
Stramongate Kendall, Cumbria LA9 4BE 0539 33733

Managed Fd	506 8	534 1	-4 9	-
Cash Fd	217 3	229 0	-0 0	-
Property Fund	258 6	272 6	+0 0	-
Equity Fund	550 7	580 4	-7 9	-
Fxd Int Fund	289 8	305 4	-0 3	-
International	239 3	252 2	-1 3	-
High Income	408 7	430 7	+2 7	-
Far East	385 9	406 7	-6 1	-
North American	204 3	215 3	-1.3	-
Special Sits	475 8	501 4	-0 8	-
Technology	229 2	241 6	-1 1	-
Extra Inc Fd	237 2	250 0	-1 2	-
Convertible & Gilt Fd	149 2	157 3	-0 8	-
American Income	99 8	105 2	+0 4	-
Gilt Fund 20	300 4	319 6	+0 2	-
European Fund	79 7	84 0	-0 4	-
Pref & Fixed Int	96 8	102 1	+0 0	-
Managed Pens Acc	470 9	495 7	-4 1	-
Building Soc Acc	217.5	229 0	-0 0	-
Property Pens Acc	257 6	271 2	-0 0	-
Fix Int Pens Acc	350 6	369 1	-0 9	-
Equity Pens Acc	611 8	644 1	-7 6	-
International Pens Acc	218 1	229 6	-3 9	-
High Inc Pens Acc	421 1	443 3	-7.8	-
Tech Pens Acc	147 8	155 6	-2 6	-
N American Pens Acc	139 9	147.3	+2 8	-
Far Eastern Pens Acc	365 8	385 1	-6.3	-
Special Sits Pens Acc	390 1	410 7	-5 4	-
Extra Income Pens Fd	269 1	283 3	+1 6	-
Convertible & Gilt Pen	158 2	166 6	-1 0	-
American Inc Pens	111.3	117 2	+2 0	-
European Pens	82 1	86 5	-0 6	-
Pref & Fixed Pens	98 3	103 5	+0 0	-
Broker Funds				
FSA Managed Fund	124 4	131 1	(z)	-
McKenna Mngd Fund	131 5	138 5	(z)	-
Acorn Managed Fund	145 7	153 4	(z)	-
Portfolio 2000	135 2	142 4	(z)	-
Allied Anglo Mngd Fd	109 9	115 7	(z)	-
Brian Fosler Mngd Fds	101 2	106 6	(z)	-
Archer Managed	105 8	111 4	(z)	-
Burton Intnl Managed	96 9	102 0	(z)	-
BFP PR Inv Port.	95 0	100 0	(z)	-
Chippendale	84 3	88 8	(z)	-
Du Bara Flexible In Bd	84 5	89 0	(z)	-
Hinton Hill W'wide Per	78 5	82 7	(z)	-
Devon Inc & Growth	79 8	84 1	(z)	-
Coventry Inv	84 1	88 6	(z)	-
EDN Prd Inc Prn Mngd	126 0	132 7	(z)	-
Berkeley St James	90 0	94 8	(z)	-
FSC Managed Portfolio	61.9	65 2	(z)	-
FtC Property Fd	137 3	144 6	(z)	-
Case Inv Portfolio	100 7	106 1	(z)	-
Sandbourne Mngd Bond	99 6	104 9	(z)	-
MASTERFUND	101 0	106 4	(z)	-
Ascot Mngd	93 6	98 6	(z)	-
PBM Max Gwth & Inc	95 4	100 5	(z)	-
JPL Wade Private Mngd	97 9	103 1	(z)	-
Lloyd & Whyte Mngd	100 2	105 5	(z)	-

For Capital Unit and Other Prices ring 0539-33733

Property Equity & Life Ass. Co
Baxter Ave Southend SS2 6HN 0702 333433

Int Man Pension Fd	123 7	130 2		-
Int Man Cncy Bd Fd		127 9		-
Int Man Cncy Bd Fd(c)		117 6		-
Flexible Prop. Bd. Fd.		160 6		-
Flexible Money Bd Fd		311 6		-
Special Man Inc Fd.		123.3		-

Property Growth Assur Co Ltd
Sun Alliance House, Horsham 0403 641411

Property Fund		377 1	-2 4	-
Property Fund (A)		360 5	-2 3	-
Agricultural Fund		504 9	-0 1	-
Agric Fund (A)		485 2	-0 1	-
Abbey Nat. Fund		291 6	-0 9	-
Abbey Nat Fd (A)		304 4	-1 7	-
Investment Fund		212 8	-2 5	-
Investment Fund (A)		206 2	-2 4	-
Equity Fund		770 2	+12 8	-
Equity Fund (A)		748 1	+12 4	-
Money Fund		298 8	-0 1	-
Money Fund (A)		289 8	-0 1	-
Actuarial Fund		356 2	-4 3	-
Gilt-Edged Fund		266 8	-0 6	-

Prudential Holborn Life Ltd
30 Old Burlington St. London W1X 1LB 01-439 3134

Managed Fd	441.5	464 8	-6 1	-
Equity Fd	887 6	934 4	+16 8	-
Intnl Fd	313 2	329 5	-3 7	-
Fixed Int Fd.	369 9	389 4	-2.2	-
Prop Fd	324 9	342 1		-
Cash Fd	237 4	249 9		-
Pacific Basin Fd	181 0	190 6	-2 2	-
North American Fd	126 0	132 7	-0 9	-
European Fd	127 3	134 1	+0 7	-
Holborn Balanced Gwth Fd	102 4	107 8	-1 2	-
Holborn Strategic Gwth Fd	100 7	106 0	+1 0	-

Prudential Holborn Pensions Ltd
30 Old Burlington St. London W1X 1LB 01-439 3134

Managed	482 1	507 5	-6 9	-
Equity	694 1	730 7	-14 1	-
Global Equity	200 6	211 2	-2 8	-
Fixed Interest	380 7	400 8	+0.2	-
Property	319 0	335 8		-
Cash	140 8	148 3		-
Index Linked Gilt	167 5	176 4	+0 7	-
Guaranteed	8.31			-
International Money	185.5	195.3	-0.5	-
North American Fd	56.4	59 4	+1 4	-
Japanese Fund	127 9	134 7	+1.4	-
European Fund	68 8	72.5	-0 4	-
Special Situations Fd	98.5	103 7	+1 8	-
Communications Fund	85 3	89 8	-0 8	-
Smaller Cos Fund	98.6	103 8	+0 9	-

Prudential Pensions Limited
Holborn Bars London EC1N 2NH 01-405 9222

Discretnry June 1	£126 78	130 40	..	-
Equity Fund June 1	£137.55	141 71		-
Intnl Fund June 1	£20 78	21 38		-
Intl Bond Fd June 1	£10 30	10 47		-
Fixed Int June 1	£68 80	69 69		-
Index Linked June 1	£52 73	53 39		-
Property Fund Jun 1	£86 80	91 46		-
Cash Fund June 1	£18 6736	18 6736		-
Pre-Linked Retirement Plan				
Managed Fd Jun 15	325 5	339 1	-7 4	-
Cash Fund Jun 15	176 5	183 9	-0 1	-
Prudential Pensions Investment Account				
Pens Man Fd Jun 15	133 6	140 7	+1.9	-
Pens UK Eq Fd Jun 15	245 2	258.2	-4 7	-
Pens Inl Fd Jun 15	151 4	159 4	-3 2	-
Pens Fxd Jun 15	157 6	165 9	-0 1	-
Pens Index Lk Jun 15	131 1	138 1	-0.2	-
Pens Cash Fd Jun 14	115 5	121 6		-

Regency Life Assurance Co Ltd
55-57 High Holborn, London WC1V 6DU 01-831 7481

Aggressive Ptflio Fd	109 9	115 6	+1.2	-
Balanced Ptflio Fd	288 8	303 9	-2 7	-
Cautious Ptflio Fd	117.3	123 4	-0.7	-
Elite Fund	101 0	106 3	-0 1	-
European Fund	68 9	72.5	-0 1	-
Far East Fund	107 0	112 6	-1 2	-
Fixed Interest Fund	241 2	253 8	-0 8	-
International Fund	223 3	235 0	-2.4	-
Money Fund	166 6	175.3		-
N American Fd	89 5	94 2	-1 7	-
Property Fund	419 4	441 4	-1 0	-
UK Equity Fd	348 9	367 2	-0 8	-
A I M Brewin Dolphin Fd	85 6	90 1	-0 3	-
Ashland Sel Inv Fd	106 6	112 2	-0 6	-
Chart Safety First Bd	111 1	116 9		-
Conquest Fund	69 3	72 9		-
Exec Master Fd	85 6	90 1		-
Hardwick Growth Fd	104.3	109 8	-0 1	-
Bentley Haig LR Port	91 9	96 7		-
Milbourne Spec Port.	98 8	104 0		-
Samm Global Fd	101 8	107 2		-

All funds have equivalent pension fund Series 2 prices above

Others available from Regency Life

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

Deposit Acc Fd	115 7	121.6		-
Equity Acc Fd	266 6	280 7	-4 9	-
Managed Acc Fd	244 1	256 9		-
Prop Fd (1st Issue)	—	505 2		-
Prop Acc Fd (2nd Iss)	163 5	172 1		-
Unit Trust Mn Fd	64 2	93 9	...	-
RL Pension Funds				
Deposit Acc	144.3	151 9	..	-
Equity Acc	192 6	202 7		-
Fixed Int Acc	151 8	159 8		-
Gilt Indx Lnk Acc	122 2	128 6		-
Managed Acc	225 5	237 3		-

Royal Heritage Life Assurance Ltd
20 Clifton St, EC2A 4HX 01-920 0202/0733 262524

Multi Gwth		430 66		-
Multi Gwth "A"	430 6	453 3		-
Do Prop	366 2	385 5		-
Do Equity	701 8	738 8	-1 8	-
Do High Yld	345 8	364 1	-0 7	-
Do Man	536 7	565 0	-0 2	-
Do Dep	256 5	270 1		8.27
Do Bnd	228 9	241 0	-0 5	-
Do Inc Dist	190 5	200.6	+1 1	6 59
Do Int Man	288 9	304 2	+3.3	-
Do USS	89 2	93 9	-1 5	8.20
Do Emergin Co's	240 7	253 4	-0 4	-
Pension Funds-Series B & C Acc.				
Property	604 8	636 7		-
Equity	1726 7	1817 6	+10 7	-
Fixed Interest	600 5	632 2	-1 6	-
Managed	929 0	977 9	-4 7	-
Deposit	467 0	491 6	-0 1	-
Gartmore Global	162.3	170 9		-
Gartmore NA	77 9	82 0	-0.3	-
Gartmore Pacific	197.6	208 1	-1 9	-
Henderson Acc	157 7	166 0	-0 2	-
Perpetual Mng	150 5	158 5	+0.2	-
Framlington Mng	151 4	159 4	-0.1	-
Gartmore Pen Mngd	145 4	153 1		-
Gartmore Pen Euro	97 5	102 7	-1.2	-
City Capital Pen Fd	149.6	157.5	-0 9	-
Sikkala MPF	135.3	142.5	+0 9	-
BTL Pensions Port	111 1	117 0	-0 4	-
Beckman Pension Fund	99 2	104 5	-1 9	-
Aldra Pension Fund	148 7	156 6	+1 9	-
Knightsbridge Cos Pen	86 9	91 5	+0.2	-
Ascott Pen Port.	122 2	128.7	-0 8	-
Suffolk Cap Pen Fd	90 5	95.3	-0 6	-
Spencer House Pens Fd.	100.5	105 8	-1 4	-
Elite Pens Portfolio	76.6	80 7	+0 1	-
Ark Euro Pen	74 8	78 8	+2.3	-
IMC Pen SB Ser B	95 0	100 0	.....	-
Pension Funds-Series B				
Property	151.7	151 7		-
Equity	114 1	114 1	-0 7	-
Fixed Interest	145 6	145 6	-0 3	-
Managed	116 1	116 1	-0.5	-
Deposit	135 4	135 4	+0 1	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
90	87	Treas. 3pc 1991	89	–	3.36	7.19
105	101	Treas 10pc Cv '91 ‡‡	103	+	9.68	8.74
107	104	Exch. 11pc 1991	105	.....	10.43	9.07
98	95	Treas. 8pc 1991	97	+	8.23	8.96
113	109	Treas 12¾pc 1992‡‡	111	+	11.48	9.09
104	101	Treas 10pc 1992	102	.....	9.73	9.09
98	94	Treas 8pc 1992 ‡‡	96	+	8.27	9.02
106	102	Treas 10½pc Cv 1992‡‡	104	+	10.06	9.12
86	83	Treas. 3pc 1992	85	+	3.50	7.17
112	108	Exch. 12¼pc '92	110	+	11.11	9.21
117	113	Exch 13½pc 1992	114	–	11.77	9.24
40	38	Treas. 8¼pc 1993 (40)	39	+	8.54	9.15
105	100	Treas 10pc 1993‡‡	103	+	9.68	9.13

Five to Fifteen Years

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
125	111	Treas 12½pc 1993‡‡	113	+	11.06	9.22
93	89	Funding 6pc 1993‡‡	91	+	6.57	8.03
121	116	Treas 13¾pc 1993‡‡	118	+	11.57	9.25
101	96	Treas 8½pc 1994	97	+	8.75	9.15
125	120	Treas 14½pc 1994‡‡	123	+	11.80	9.23
120	115	Exch 13½pc 1994	118	+	11.41	9.36
105	100	Treas. 10pc Ln. 1994‡‡	103	+	9.64	9.18
116	111	Exch. 12½pc 1994	114	+	10.94	9.38
101	95	Treas 9pc 1994‡‡	99	+	9.04	9.08
114	109	Treas 12pc 1995	112	+	10.66	9.39
83	79	Exch 3pc Gas 90-95	79	.....	3.77	6.76
106	100	Exch. 10¼pc 1995	104	+	9.78	9.32
120	113	Treas 12¾pc 1995‡‡	117	+	10.83	9.37
126	119	Treas. 14pc '96	123	+	11.31	9.54
101	95	Treas 9pc 1992-96‡‡	99	+	9.07	9.12
133	127	Treas 15¼pc 1996‡‡	131	+	11.63	9.53
123	116	Exch 13¼pc 1996‡‡	120	+	10.96	9.43
86	83	Redemption 3pc 1986-96	83	.....	3.58	5.44
105	99	Conversion 10pc 1996	103	+	9.66	9.37
124	117	Treas 13¼pc 1997‡‡	122	+	10.86	9.46
108	101	Exch 10½pc 1997	106	+	9.88	9.41
98	92	Treas 8¾pc 1997‡‡	96	+	9.04	9.25
98	92½	Tr 8¾pc Ln "C" 1997 ‡‡	96	+	9.04	9.26
134	127	Exch 15pc 1997	132	+	11.33	9.65
104	97	Exch. 9¾pc 1998	102	+	9.54	9.39
87	81	Treas 6¾pc 1995-98‡‡	86	+	7.85	8.90
140	132	Treas. 15½pc '98‡‡	138	+	11.24	9.60
118	111	Exch. 12pc 1998	116	+	10.31	9.48
103	96	Treas 9½pc 1999‡‡	101	+	9.34	9.24
120	113	Exch. 12¼pc 1999	118	+	10.35	9.48
109	102	Treas. 10½pc 1999	107½	+	9.78	9.40
107	100	Conversion 10¼pc 1999	106	+	9.68	9.38
100	86	Treas. 8½pc Ln 2000‡‡	95	+	8.94	9.18
99	93	Conversion 9pc 2000‡‡	98½	+	9.14	9.21
126	119	Treas. 13pc 2000	124	+	10.44	9.53
106	99	Treas 10pc 2001	105	+	9.52	9.30
129	122	Treas. 14pc '98-01	127	+	10.98	9.62
104	98	Conversion 9¾pc 2001	103	+	9.42	9.28
118	111	Exch. 12pc '99-02	116½	+	10.31	9.51
107	100	Conversion 10pc 2002	105½	+	9.46	9.26
105	98	Treas 9¾pc 2002	103	+	9.39	9.26
99	93	Exch. 9pc 2002	98½	+	9.14	9.18

Over Fifteen Years

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
131	123	Treas. 13¾pc 2000-03	129	+	10.62	9.58
108	100	Treas 10pc 2003	106	+	9.40	9.21
117	109	Treas. 11½pc 2001-04	115	+	9.97	9.40
108	100	Treas. 10pc 2004	106	+	9.37	9.18
59	54	Funding 3½pc '99-04	58	+	5.95	8.14
104	97	Conversion 9½pc 2004	102	+	9.24	9.15
104	97	Conversion 9½pc 2005	102	+	9.22	9.14
113	105	Exch 10½pc 2005	111½	+	9.40	9.14
128	119	Treas. 12½pc 2003-05	126	+	9.92	9.28
92	85	Treas 8pc 2002-06‡‡	90	.....	8.82	9.04
106	99	Conversion 9¾pc 2006	105	+	9.24	9.12
121	113	Treas. 11¾pc 2003-07	119	+	9.82	9.27
97	89	Treas 8½pc 2007 ‡‡	95½	+	8.88	8.98
137	128	Treas. 13½pc '04-08	134	+	10.01	9.24
101	94	Treas. 9pc 2008 ‡‡	100	.....	8.97	8.96
92	85	Treas 8pc 2009	91	+	8.78	8.93
101	93	Conv 9pc Ln 2011 ‡‡	100	+	8.98	8.97
68	62	Treas. 5½pc 2008-12‡‡	67½	+	8.15	8.75
89	82	Treas. 7¾pc 2012-15‡‡	88	+	8.79	8.92

BRITISH FUNDS—Contd

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
130	121	Exch. 12pc '13-'17	129	+	9.30	9.06

Undated

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
44	41	Consols 4pc	44	+	9.09	–
39	37	War Loan 3½pc‡‡	39	+	8.90	–
52	48	Conv. 3½pc '61 Aft.	52	+	6.72	–
33	30	Treas. 3pc '66 Aft.	33	+	9.09	–
28	26	Consols 2½pc	27	–	8.90	–
28	26	Treas. 2½pc	27	–	8.99	–

Index-Linked

High	Low	Stock	Price £	+ or –	(1)	(2)
121	117½	Treas 2pc IL '90(84 6)	121	+	0.64	2.20
103	99	Do. 2pc '92‡‡(97.8)	102	+	2.08	2.75
40	39	Do. 2pc '94 (40)	40	+	2.57	2.95
139	127	Do. 2pc '96(67.9)	139	–	2.86	3.18
114	103	Do 2½pc '01 (78.3)	114	+	3.56	3.78
111	101	Do. 2½pc '03(78.8)	111	+	3.64	3.84
112	102½	Do 2pc '06(69.5)	112	+	3.71	3.87
105	95	Do. 2½pc '09(78.8)	105	+	3.72	3.88
109	99	Do. 2½pc '11(74.6)	109	+	3.74	3.88
90	82	Do. 2½pc '13(89.2)	90	+	3.72	3.86
98	88	Do. 2½pc '16(81.6)	97½	+	3.70	3.83
95	87	Do 2½pc '20(83.0)	95	+	3.64	3.76
80	73	Do. 2½pc '24 ‡‡(97.7)	80	+	3.60	3.71

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1987:102.4 and for April 1988:105.8

INT. BANK AND O'SEAS GOVT STERLING ISSUES

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
109	100	African Dv Bk 11¼ Ln 2010	106	+	10.42	10.34
104	96	Asian Dev Bk 10¼pc Ln 2009	102	+	9.95	9.90
129	120	Australia 13½pc 2010	128	+	10.53	10.25
112	103	Do 11¼pc Ln 2015	111	+	10.23	10.15
110	103	Euro Inv Bk 11pc Ln 2002	108	+	10.10	9.82
105	98	Do. 10¼pc 2004	104	+	9.95	9.84
120	112	Int-Am Dev Bk 12½pc 2003	118	+	10.53	10.02
98	91	Do. 9¾pc Ln 2015	97	+	9.96	10.02
96	86	Mlysia 10¾pc Ln 2009	94	+	11.40	11.46
130	107	Sweden 13½pc Ln 2010	128	+	10.47	10.15

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	.....	3.50	f7.78
45	33	Do 6pc 28 Stb Ass.	45	.....	3	f6.67
45	33	Do 4pc Mixed Ass.	45	.....	2	f4.44
75	63	Hung. '24 Ass	75	.....	2.75	f3.67
140	128	Hydro Quebec 15pc 2011	138	+	15.00	10.54
128	118	Iceland 14½pc Ln 2016	128	+	14.50	11.19
101	96½	Ireland 9¾pc '91-96	100	+	9.75	9.60

AMERICANS

High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29	22	Abbott Laboratories	25	+	$1.20	–	2.6
649p	405p	Allegheny & W 1c	433p	+20	30c	–	3.8
12	862p	Amax $1	12	+	Q20c	–	–
30	16	Amdahl 5c	30	+1	20c	–	0.4
30	22	Amer. Cyanamid $5	28½	–1	$1.05	–	2.0
15½	11	Amer. Express 60c	15	+	76c	–	2.7
985p	668p	Amer. Medical Int. $1	978p	–7	72c	–	4.0
17	13	American T & T. $1	15	+	$1.20	–	4.3
54	44	Ameritech $1	52	+1½	$5.40	–	–

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28⅞	22¼	TRW Inc. 62½c	26⅞	+1⅛	$1.60	—	3.3
26½	21¼	Tenneco $5	26¾	+⅜	$3.04	—	6.4
28⅝	19½	Texaco $6.25	28⅛	+⅜	♦$3.00	—	5.8
54¾	43¼	Time Inc. $1	54⅞	+1¼	$1.00	—	1.0
20¼	15¾	Transamerica $1	19⅞	+½	$1.84	—	5.2
10¼	754p	Transworld Corp $5	992p	+27	20c	—	1.1
20½	14½	TRINOVA Corp	17½	+¼	56c	—	1.8
19	15¼	USX $1	17¼	−⅛	$1.20	—	3.7
23	17⅝	Utd. Technologies	22⅜	+1	$1.60	—	3.9
31½	26¼	US West	31¼	+¼	$3.52	—	6.1
21¼	16⅞	Waste Management $1	20½	+½	48c	—	1.3
16¼	12⅞	Whirlpool $1	15⅝	+½	$1.10	—	3.9
32¾	18¼	Woolworth $3½	29⅝	+¾	$1.64	—	3.0

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	y	78	+2
Craig & Rose £1	y	688	.....
Finlay Pkg. 5p	y	80	+2
Holt (Jos) 25p	y	£11½	−¼

IRISH

Nat. 9¾% 84/89	£100⅝	−⅛
9pc Cap Ln. 1996	£98⅝	+¼
Fin. 13% 97/02	£119	.....

Arnotts	y	378	.....
CPI Hldgs.	y	118	+2
Carrol Inds.	y	153	.....
Hall (R. & H.)		160	−1
Helton Hldgs.	y	46	+1
Irish Ropes	y	165	.....
Unidare	y	400	.....

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30

NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	30
Rank Org Ord.	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45
Property	
Brit Land	38
Land Securities	32
MEPC	32
Peachey	50
Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	48
Premier	7½
Shell	95
Ultramar	26
Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 6	Jun 16	Jun 17	Jun 27
Jun 20	June 30	Jul 1	Jul 11
Jul 4	Jul 14	Jul 15	Jul 25

*New time dealings may take place from 9.00 am two business days earlier.

Trading volume increases as equities and Gilt-edged consolidate their advance

THE UK securities markets yesterday maintained the improvementsparked off by Tuesday's disclosure of a narrowing in the US trade deficit, although an attempt to move further ahead was checked when Wall Street made a slow start to the new trading session.

With the pound easier initially, major exporting stocks led the market in a gain of 18.3 FT-SE points by mid-session. Some institutional business was seen, although the major funds were clearly waiting to see how Wall Street, and the dollar, performed. Gains were quickly trimmed as the pound steadied and by the end of the day blue chip issues showed an irregular pattern.

The FT-SE 100 Index closed a net 3.1 up at 1869.3. Seaq turnover jumped to 551.7m shares, the best figure for several weeks.

Demand from the big investment institutions was selective. Among the more obvious dollar earners, it was the pharmaceutical groups, including Glaxo and Wellcome, which made the running. Speculative interest continued to help composite insurances, but food stocks had a quiet trading session.

Fund managers are somewhat restrained by the approach of the June 30 end of the quarterly trading period, and remain cautious of changing their current cash-holding policies until the outlook for the US dollar becomes more certain. However, the improvement in the US trade deficit is regarded as a significant plus for investment sentiment, as is the breakout above 1855 on the FT-SE Index.

London appeared unconcerned over Public Sector Borrowing Requirement statistics for May, due today which are expected to show a surplus of £400m or so.

Long-dated Government bonds gave back ¼ or so of the substantial gains chalked up in the wake of the US trade figures, but the sector remained buoyant. There was a welcome return of institutional buyers, who took up profit-taking sales by the trading houses without much difficulty.

Index-linked Gilts closed little changed, after the authorities had supplied some of the '94 tap stock at 40¼. The Bank still has the bulk of this £400m issue in hand, so there are no significant strains in the marketplace.

National Westminster shares dipped 15 to 575p in late trading after Warburg Securities reduced its profits forecast for this year from £1,460m to £1,350m. Warburg points to the potentially adverse effects on NatWest of currency factors, of the fall in global lending spreads and of cost pressures.

However, the bearish view coincided with a " short term buy" recommendation from SBCI Savory Milln which regards NatWest as "the quality stock in the sector".

General Accident had another down day as County NatWest WoodMac, believing that the group is about to bid for either the 35 pc stake in NZI held by Sir Ron Brierley, or for the whole of NZI, recommended switching out of the stock.

The market estimates that a full bid for NZI, a leading New Zealand insurance and financial services company, could cost General Accident as much as £700m, which would probably mean a fund-raising operation. At 927p, shares in Gen Acc dipped 10, making a loss this week of 14.

Pilkington, the worldwide glass manufacturer, produced preliminary figures in line with most market expectations. Pretax profits for the year were 18 per cent up at a record £302m despite currency fluctuations.

The subsequent meeting with analysts, however, was described as "low key" and regarded as a little disappointing in some quarters. Nevertheless, the figures generated a lively two-way trade and, with sellers eventually gaining the ascendancy, the Pilkington share price closed a 6 easier at 209p. Volume was around 13m.

Reed International shook off some of the caution generated recently by the proposed disposal of its paper and packaging interests. Earlier this week the group announced the first phase of the programme with the sale of the Canadian subsidiary, North American Paper, to Daishowa of Japan for £284m. The price exceeded expectations but most market followers remained wary.

Two analysts who disagree with the majority verdict are the publishing team of Chris Munro and Colin Tennant at Hoare Govett, the securities house. They think the overall disposal of Reed's paper and packaging interests should raise around £880m, removing low quality earnings and creating funds for further expansion in publishing.

"We expect attention to focus on the opportunities for high quality earnings growth in the longer term, rather than short term dilution, and remain buyers on a medium term view", they said. Demand increased yesterday, bringing a total of 2.5m shares traded, and the close was 5 higher at 413p.

Northern Foods moved ahead strongly, enjoying an unexpectedly favourable reception of the preliminary statement. County NatWest WoodMac seemed particularly impressed and advised, "In a year of divestment in the US and a fundamental restructuring in the UK, results were better than expected and an excellent start has been made to the current year".

The securities house has marginally raised its forecast for current year profits to £86.5m which, on a tax charge of 30 per cent, gives a p/e multiple of 27.4p a share. Other analysts were less bullish, rating the stock merely a hold, but the shares of Northern prospered to close 8 higher at 305p.

The International stocks failed to consolidate on a firm start, fresh interest being stifled by lack of follow through support and an uninspiring early preformance on Wall Street. Glaxo, however, held on to most of an early gain, closing 11 to the good at 983p, after 985p. ICI, in contrast, eventually settled a few pence cheaper at 1053p as did Beecham at 474p. Profit-takers gained the upper hand in Boots after the recent speculative flurry with the shares settling 5 lower at 223p. Volume of 2.3m was around half the previous day's level.

Life assurance stocks were busy again, led by Abbey Life, the unit-trust linked group, which added another 8 to 337p amid further suggestions of stakebuilding by Banque Paribas. Legal & General also attracted speculative support again, rising 10 to 305p but Pearl eased 7 to 518p.

In the composites, Royal shaded a few pence to 414p on news of a planned deal with Groupe Victoire of France. London is waiting to see if the deal, which still requires sanction by the French authorities, will require an issue of shares by Royal.

British Gas closed a couple of pence better at 179p, with two large trades seen in the shares ahead of the results, expected today. The market looks for good profit figures and an increased dividend payout.

Shares In British Petroleum eased slightly, the new to 69p and the old to 267p, as the London analysts attended the UK showing of the annual investment seminar first presented in New York last week. Reference was made to the underlying nervousness over the outcome of the UK Monopolies and Mergers Commission inquiry into the 22 per cent stake in BP held by the Kuwait Investment Office.

Ultramar jumped 9 to 301p, with 3.6m shares traded, on the news of a significant oil find in the North Sea. The speculative sector was quieter, with both Enterprise (452p) and LASMO (also 452p) easier on disappointment with the absence of merger news. Burmah, still favoured as a bid target, put on 10 to 571p.

Early gains in the Brewery sector were gradually eroded and the leaders closed only modestly higher on the session. Regional stocks fared a little better with Young & Co "A" rising 15 to 465p and Vaux improving 5 to 573p, but there were casualties. Buckley's remained under the cloud of the Barlow Clowes affair, losing 10 more to 145p, while J.A.Devenish reacted further to 328p, still reflecting disappointing mid-way profits. After Tuesday's surge on a report of a possible offer, Invergordon Distillers encountered profit-taking and ended 8 lower at 285p.

London International Group enjoyed another brisk day's trading as the market continued to take a bullish stance on long-term prospects for its health and personal products and touched 282p bid before settling 2 firmer on balance at 276p for a two day gain of 17.

Bowater featured a rise of 14 at 395p as CountyNatwest Woodmac, the securities house, upgraded its profits forecast for the group. Airsprung, reflecting the good annual results and the announcement of a one-for-two scrip issue, moved up 11 to 228p.

Selected overseas earners made further progress, with Reuters outstanding again at 551p, up 13, in the wake of fresh overnight demand for the ADR's in the US.

Among the Stores, Marks and Spencer continued to claim considerable attention (volume amounted to some 4.5m) with the shares closing a couple of pence firmer at 179p; dealers reported good support around the 178p level.

Storehouse also encountered a good demand, closing 9 to the better at 260p, after having touched 262p. Inevitably, the advance gave rise to talk of another approach, later in the year, from Mountleigh Group. Around 4m shares in Storehouse changed hands yesterday.

Harris Queensway, down 7 at 161p, met occasional profit-taking after the recent good run on suggestions of Scottish entrepeneur, Mr James Gulliver, leading the consortium negotiating an agreed takeover of the group.

Plessey were favoured, helped by an analysts' visit yesterday to its electronic systems division and in advance of a defence seminar, to be hosted by BZW today. The shares rose 5 to 163p. STC moved 9 higher to 281p after a Flemings Research presentation and Cable & Wireless were another firm spot, rising 6 to 370p awaiting the maiden results of the recently floated and 80 per cent-owned Hong Kong Telecommunications. The announcement is expected on Friday and profits could exceed projections. Thorn EMI bucked the trend, being affected by expiry of the 650 traded option series and falling 8 to 655p.

News of a share placing and open offer to shareholders, raising some £2.85m, pushed Prestwich up 7 to 66p while other good secondary Electrical features included Bowthorpe, 166p, Dubilier, 201p, and Circaprint, 132p, with gains of around 7.

Banro Industries featured a jump of 33 at 233p in response to news of the recommended share exchange offer from Wagon Industrial. The latter, which also announced preliminary figures, reacted 16 to 307p.

The majority of Building shares traded on a firm note. John Laing remained in the limelight, rising 13 more to 356p. Demand has recently been aroused by a profits upgrading from BZW, the securities house.

Chemical shares, thought to have been overlooked for some while now, encountered further demand. Laporte ended 12 dearer at 435, while Hickson closed near the day's best with a rise of 13 at 217p.

Still responding to a Morgan Grenfell circular, United Newspapers advanced 7 further to 434p while Bunzl emerged from the shadow of currency influences to close 10 up at 159p. UK Paper, which marketmakers said had been left behind recently, also staged a revival and ended 10 higher at 155p.

Properties eased slightly after early gains and Hammerson A settled 8 up at 641p. The stock remains attractive, say analysts, because the currencies it is most exposed in - the Australian and Canadian dollars - have strengthened considerably in the past few weeks.

Other property highlights were Regalian, 5 better at 214p and still considered by traders to be an excellent buy, and Evans of Leeds, 10 firmer at 178p.

Bid speculation gained momentum in Dawson International after Tuesday's uninspiring annual results and the shares rose 9 to 219p. Kleinwort Grieveson qualifies its rating of a "weak hold", commenting yesterday, "with a host of of brand names, strong balance sheet and quality image Dawson is an obvious takeover candidate. However, it is external trading conditions which are the reasons for our bearish stance and not management incapability".

Trusts maintained their marginal improvement of late, with London & American Venture standing out with a 2¼ rise to 56p after dealers picked up "good vibes" from the morning's agm. Keystone Investment closed 5 better at 285p and Alliance Trust 4 up at 814p.

Overseas Traders highlighted Inchcape which, say dealers, continues to be a good buy, and it broke the 200 mark during the day to end up 3 at 202p on a turnover of 1.7m.

It was another active day on the Traded Options market, with hectic morning trading and good volumes, especially in FTSE stocks. Overall, 39,099 calls and 10,739 puts were traded totalling 49,838 contracts, making it the market's busiest day since 5 November last year. Star performers were Hanson, with 2,538 calls and 260 puts, British Gas with 1,722 calls and 1,413 puts, Trusthouse Forte, with 3,641 calls, and British Tyre with 1,990 calls and 83 puts.

Traditional Options

- First dealings June 13
- Last dealings June 24
- Last declarations Sept 15
- For Settlement Sept 26

For rate indications see end of London Share Service

Dealers reported a brisk trade in the Traditional option market. Stocks favoured for the call included T. Cowie, Rex Williams, Astra Holdings, Bryant Holdings, Bristol Channel, Singer and Friedlander, Eagle Trust, Regalian Properties, Cadbury Schweppes, Camford Engineering, Greenwich Resources and Pentland Industries. Puts were arranged in S. Millar and Helical Bar, while double options were transacted in Boots and Bryant Holdings.

FINANCIAL TIMES STOCK INDICES

	June 15	June 14	June 13	June 10	June 9	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	90.24	90.03	89.80	89.89	89.80	92.38	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.36	98.20	98.18	98.12	98.08	98.85	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1485.6	1482.7	1458.6	1468.2	1463.7	1801.7	1482.7 (14/6)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	221.8	221.2	217.2	228.6	228.5	380.2	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.45	4.45	4.53	4.50	4.52	3.17				
Earnings Yld. %(full)	11.42	11.41	11.64	11.57	11.60	7.66				
P/E Ratio (net)(*)	10.68	10.68	10.48	10.54	10.51	16.09				
SEAQ Bargains (5pm)	30,017	25,773	25,040	25,790	27,359	52,863				
Equity Turnover (£m)	-	1064.99	1304.26	1517.85	1101.55	1811.74				
Equity Bargains	-	26,416	31,294	30,223	28,930	64,368				
Shares Traded (ml)	-	390.6	388.1	591.0	446.1	837.2				

S.E. ACTIVITY

Indices	June 14	June 13
Gilt Edged Bargains	127.0	99.3
Equity Bargains	171.1	202.8
Equity Value	2152.6	2636.2
5-Day average		
Gilt Edged Bargains	108.1	104.9
Equity Bargains	184.3	188.0
Equity Value	2423.6	2509.5

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1487.8	1492.9	1496.0	1491.9	1489.6	1490.0	1488.6	1486.8

Day's High 1498.3 Day's low 1485.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.57.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (227).

BRITISH FUNDS (3) AMERICANS (24) CANADIANS (9) BANKS (7) BREWERS (4) BUILDINGS (12) CHEMICALS (16) STORES (7) ELECTRICALS (13) ENGINEERING (8) FOODS (2) HOTELS (1) INDUSTRIALS (37) INSURANCE (6) LEISURE (2) MOTORS (2) NEWSPAPERS (3) PAPERS (6) PROPERTY (14) SHIPPING (1) SOUTH AFRICANS (1) TEXTILES (1) TRUSTS (40) OILS (4) OVERSEAS TRADERS (3) PLANTATIONS (1) MINES (6) THIRD MARKET (1).

NEW LOWS (15).

BREWERS (1) Buckley's Brewery, ELECTRICALS (4) Atlantic Compt., Microsystems, Pericom, Telecomputing, FOODS (1) Acatos & Hutcheson, INDUSTRIALS (2) Macarthy, SAC Int'l., PAPERS (1) Moorgate Group, PROPERTY (2) Ewart, Union Square, SHOES (1) Pittard Garnar, TRUSTS (1) Fashion & Gen., OILS (2) North Sea Gen., Southwest Res.

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Wed June 15 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Jun 14 Index No.	Mon Jun 13 Index No.	Fri Jun 10 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	786.55	+0.6	9.96	3.91	12.51	11.31	781.64	771.80	776.80	963.76
2	Building Materials (29)	1027.79	+0.4	10.68	3.95	11.54	11.36	1024.14	1007.75	1012.92	1269.61
3	Contracting, Construction (35)	1595.89	-	10.37	3.35	13.81	25.92	1595.54	1581.67	1590.69	1725.17
4	Electricals (12)	2101.34	+0.8	8.97	4.26	13.71	45.53	2087.07	2058.46	2073.50	2454.25
5	Electronics (31)	1660.85	+1.1	9.93	3.29	13.88	17.77	1642.65	1632.51	1643.29	2133.05
6	Mechanical Engineering (56)	404.58	+0.8	9.62	4.30	12.98	6.85	401.27	397.14	399.90	503.13
8	Metals and Metal Forming (8)	475.17	+1.7	10.15	3.84	12.11	6.02	468.47	461.61	466.84	531.54
9	Motors (13)	278.25	+0.7	11.60	4.40	10.81	5.22	276.19	272.48	274.55	364.05
10	Other Industrial Materials (24)	1312.70	-0.3	8.99	4.26	13.23	21.24	1308.89	1281.92	1290.46	1680.41
21	CONSUMER GROUP (187)	1106.98	+0.4	8.73	3.48	14.49	13.03	1102.07	1085.30	1087.48	1353.49
22	Brewers and Distillers (21)	1141.54	+0.4	10.42	3.54	12.85	13.58	1137.34	1121.51	1120.63	1235.13
25	Food Manufacturing (23)	986.84	-0.1	8.30	3.48	15.46	13.67	987.93	977.18	983.79	1044.57
26	Food Retailing (16)	2036.52	-0.1	8.24	3.18	16.19	21.46	2037.75	2081.32	1991.28	2608.57
27	Health and Household (12)	1893.97	+0.6	6.60	2.57	17.66	10.93	1878.58	1826.94	1840.08	2592.70
29	Leisure (30)	1342.59	-0.1	7.86	3.54	16.26	18.36	1343.96	1334.66	1338.02	1382.12
31	Packaging & Paper (17)	515.69	+2.2	9.36	3.89	13.56	4.18	504.34	497.74	497.88	693.17
32	Publishing & Printing (16)	3475.19	+1.0	8.16	4.38	15.45	44.73	3441.52	3412.09	3419.41	4186.88
34	Stores (35)	826.78	+0.2	10.10	3.87	13.06	11.24	825.39	815.73	813.20	1145.50
35	Textiles (17)	599.49	+1.2	11.46	4.54	10.19	10.99	592.51	584.24	586.42	886.62
40	OTHER GROUPS (92)	904.58	+0.2	10.68	4.27	11.48	10.37	902.91	888.23	893.24	1123.62
41	Agencies (19)	1215.52	+0.6	6.81	2.22	18.51	11.91	1208.42	1176.81	1174.12	1628.38
42	Chemicals (20)	1067.73	-0.3	11.34	4.61	10.77	21.53	1071.25	1054.97	1043.59	1365.84
43	Conglomerates (13)	1218.67	+0.5	10.28	4.33	11.27	16.27	1212.61	1190.79	1194.29	1368.83
45	Shipping and Transport (12)	1946.28	-0.1	11.88	4.59	11.97	29.61	1949.18	1928.85	1925.42	2267.75
47	Telephone Networks (2)	957.42	-0.3	11.09	4.59	11.34	6.00	960.50	947.88	956.29	1214.51
48	Miscellaneous (26)	1195.82	+1.1	10.98	4.23	10.34	19.26	1181.69	1185.65	1193.44	1518.24
49	INDUSTRIAL GROUP (487)	978.83	+0.4	9.56	3.81	13.03	12.04	975.09	960.64	964.43	1283.21
51	Oil & Gas (13)	1864.18	-0.1	10.36	5.48	12.46	39.00	1865.01	1847.93	1871.18	2216.30
59	500 SHARE INDEX (500)	1053.73	+0.3	9.69	4.04	12.95	14.34	1050.35	1035.61	1041.18	1991.11
61	FINANCIAL GROUP (122)	718.83	-0.3	-	4.66	-	14.88	720.68	712.57	719.04	814.56
62	Banks (8)	680.17	-1.4	20.93	5.99	6.41	18.83	689.75	674.69	680.71	853.45
65	Insurance (Life) (8)	1059.07	+1.1	-	4.74	-	24.67	1045.73	1047.63	1072.44	1164.73
66	Insurance (Composite) (7)	542.16	+0.1	-	5.28	-	13.92	541.63	539.32	567.92	606.81
67	Insurance (Brokers) (7)	1009.53	+0.1	9.55	6.31	13.54	26.67	1008.80	974.63	981.91	1214.93
68	Merchant Banks (11)	371.40	-0.7	-	3.74	-	3.94	373.87	372.27	377.80	483.81
69	Property (51)	1258.31	+0.2	4.75	2.56	26.96	11.21	1256.83	1242.08	1260.65	1244.28
70	Other Financial (30)	392.15	-0.3	9.92	4.75	12.93	5.96	393.42	391.45	393.98	525.33
71	Investment Trusts (90)	904.27	+0.5	-	2.92	-	10.24	899.47	888.52	889.25	1072.50
81	Mining Finance (2)	536.88	+0.8	9.80	3.50	12.56	8.12	532.47	531.53	531.46	484.01
91	Overseas Traders (8)	1134.73	-0.5	10.25	4.92	11.49	27.73	1131.40	1122.80	1122.69	1054.11
99	ALL-SHARE INDEX (712)	945.71	+0.2	-	4.10	-	14.09	943.35	930.57	935.97	1158.35

	Index No.	Day's Change	Day's High	Day's Low	Jun 14	Jun 13	Jun 10	Jun 9	Jun 8	Year ago
FT-SE 100 SHARE INDEX ‡	1869.3	+3.1	1894.5	1869.3	1866.2	1838.8	1849.8	1841.5	1828.2	2328.4

FIXED INTEREST

	PRICE INDICES	Wed Jun 15	Day's change %	Tue Jun 14	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	122.89	+0.06	123.00	0.18	5.51
2	5-15 years	140.86	+0.19	141.48	0.88	6.46
3	Over 15 years	154.70	+0.11	154.53	-	6.47
4	Irredeemables	167.58	+0.24	167.18	-	6.53
5	All stocks	137.55	+0.14	137.89	0.52	6.19
	Index-Linked					
6	5 years	128.13	+0.14	127.95	-	0.51
7	Over 5 years	121.34	+0.12	121.29	-	1.46
8	All stocks	121.72	+0.13	121.57	-	1.37
9	Debentures & Loans	119.95	+0.39	119.48	-	5.88
10	Preference	93.68	+0.04	93.65	-	3.22

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jun 15	Tue Jun 14	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	8.76	8.78	7.89
2		15 years	9.08	9.09	8.65
3		25 years	8.95	8.94	8.67
4	Medium Coupons	5 years	9.21	9.23	9.27
5		15 years	9.27	9.29	8.88
6		25 years	9.10	9.11	8.89
7	High Coupons	5 years	9.31	9.34	8.88
8		15 years	9.42	9.43	9.02
9		25 years	9.16	9.16	8.84
10	Irredeemables		8.98	9.00	8.75
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.64	2.68	2.50
12	Inflation rate 5%	Over 5 yrs.	3.80	3.81	3.78
13	Inflation rate 10%	5yrs.	1.72	1.76	2.13
14	Inflation rate 10%	Over 5 yrs.	3.75	3.65	3.70
15	Debs & Loans	5 years	10.22	10.24	9.76
16		15 years	10.53	10.59	9.93
17		25 years	10.55	10.62	10.00
18	Preference		9.56	9.57	10.11

‡Opening index 1873.1; 10 am 1877.9; 11 am 1881.7; Noon 1877.0; 1 pm 1875.1; 2 pm 1875.6; 3 pm 1873.0; 3.30 pm 1872.5; 4 pm 1871.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jul.	Calls Oct.	Calls Jan.	Puts Jul.	Puts Oct.	Puts Jan.
Allied Lyons (*430)	390	45	58	68	3	9	11
	420	22	36	48	11	17	23
	460	7	16	28	35	40	43
Brit. Airways (*151)	140	14	23	27	3	5	8
	160	4	11	15	13	15	20
	180	1	4	7	31	32	35
Brit. & Comm. ... Ladbroke (remaining series)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
LASMO (*452)	390	75	93	108	8	17	27
	420	50	70	90	16	31	40
	460	27	48	64	35	52	57
P. & O. (*603)	550	70	80	97	8	13	22
	600	32	50	65	17	32	40
	650	11	25	-	52	62	-
Pilkington ... Wellcome; Tr. 11¾% 1991; Tr. 12% 1995; FT-SE Index (remaining series)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

June 15 Total Contracts 49,838 Calls 39,099 Puts 10,739 FT-SE Index Calls 3297 Puts 3442 *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	4,100	General Accident	1,600	Prudential	3,600
Allied-Lyons	2,400	General Elect.	9,600	Racal	1,500
Amstrad	1,700	Glaxo	2,600	RMC	535
Argyll Group	4,800	Globe Investment	858	RHM	1,200
Assoc. Brit. Foods	779	Granada	2,100	Reckitt & Colman	2,500
BAA	2,100	Grand Met.	2,200	Redland	201
BAT	2,900	GUS "A"	241	Reed Intl.	2,250
BET	1,000	Guardian R.E.	377	Reuters "B"	1,100
BICC	410	GKN	1,500	RTZ	1,600
BOC	1,000	Guinness	1,800	Rolls-Royce	2,000
BPB Inds	225	Hammerson	251	Rothmans "B"	1,400
BTR	4,200	Hanson	11,000	Rowntree	[illegible]
Barclays	1,900	Hawker Siddeley	1,300	Royal Bank Scotland	720
Bass	997	Hillsdown Holdings	416	Royal Insurance	3,600
Beecham	3,350	ICI	4,100	Saatchi & Saatchi	1,100
Blue Arrow	2,500	Inchcape	1,700	Sainsbury	1,600
Blue Circle	171	Jaguar	720	Scott & Newcastle	2,200
Boots	2,700	Ladbroke	1,500	Sears	1,600
Brit. Airways	4,300	Land Securities	300	Shell Transport	4,100
Brit. Aerospace	2,600	Laporte	784	Smith & Nephew	10,000
Brit. & Comm.	585	Legal & General	619	Standard Chartered	172
British Gas	17,000	Lloyds Bank	4,000	Storehouse	4,000
BP	3,000	LASMO	2,000	Sun Alliance	200
Brit. Telecom	2,200	Lonrho	1,000	T & N	731
Burmah Oil	1,100	Lucas	775	TSB	1,500
Burton	2,100	MEPC	438	Tarmac	1,000
Cable & Wireless	2,800	Marks & Spencer	4,500	Tesco	5,800
Cadbury Schweppes	4,400	Maxwell Comm.	1,300	THORN EMI	1,600
Coats Viyella	2,000	Metal Box	2,000	Trafalgar House	1,700
Commercial Union	2,700	Midland Bank	1,500	Trusthouse Forte	3,100
Cons. Gold	773	NatWest Bank	1,300	Ultramar	3,600
Cookson	1,500	Northern Foods	992	Unigate	1,500
Courtaulds	1,200	Pearson	111	United Biscuits	1,000
Dalgety	434	Pearl Group	1,000	Wellcome	2,500
Dee Corp	664	P & O	1,600	Whitbread "A"	1,500
Dixons	1,700	Pilkington	12,700	Williams Holdings	1,000
English China Clays	954	Plessey	4,850	Wimpey	2,000
Enterprise Oil	470			Woolworth	1,900
FKI Babcock	1,800				
Fisons	3,800				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	94	12	7
Corporations, Dominion and Foreign Bonds	21	3	31
Industrials	519	262	783
Financial and Properties	233	89	332
Oils	34	25	48
Plantations	4	2	7
Mines	69	36	85
Others	145	31	99
Totals	1,119	458	1,392

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

CANADA

TORONTO

2pm Prices June 15

Quotations in cents unless marked $.

[illegible]

OVER-THE-COUNTER

Nasdaq national market. Closing prices June 15

Continued from page 39

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Airsprung	228	+	11
Banro Inds.	233	+	33
Bowthorpe	166	+	8
Bunzl	159	+	10
Dawson Intl.	219	+	9
Evans of Leeds	178	+	10
GRE	963	+	20
Hammerson A	641	+	8
Laing (J.)	358	+	13
Northern Foods	305	+	8
Prestwick	65	+	7
Reuters B	551	+	13
STC	281	+	9
Storehouse	260	+	9
UK Paper	155	+	10
Ultramar	301	+	9

FALLS

Buckley's Brewery	145	–	10
General Accident	927	–	10
Harris Queensway	161	–	7
Invergordon Dists.	286	–	8
NatWest Bank	576	–	16

TOKYO - Most Active Stocks
Wednesday, 15 June, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	289.24m	550	+21
Kawasaki Steel	204.68m	553	+4
NKK	191.70m	525	+5
Kobe Steel	172.02m	500	+13
Sumitomo Metal	144.70m	500	+29
Mitsubishi Heavy Ind	103.62m	817	+12
Mitsubishi Electric	95.28m	840	+18
Kawasaki Heavy Ind	92.34m	530	-8
Toshiba	73.34m	925	uch
Sumitomo Chem	65.73m	1,120	+30

INDICES

NEW YORK — DOW JONES

	Jun 14	Jun 13	Jun 10	Jun 9	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2124.47	2099.4	2101.71	2093.35	2124.47 (14/6)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.42	88.08	88.00	87.00	91.25 (3/3)	86.12 (4/1)	–	–
Transport	881.12	873.36	877.39	872.61	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	181.37	179.35	179.11	178.88	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2148.12 (2114.15) Low 2111.13 (2084.64)

STANDARD AND POOR'S	Jun 14	Jun 13	Jun 10	Jun 9	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	274.30	272.14	271.16	270.20	274.30 (14/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	317.10	313.92	313.62	312.47	317.10 (14/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.80	24.49	24.47	24.34	24.80 (14/6)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	154.52	152.89	152.89	152.36	154.52 (14/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	308.88	307.9	309.33	308.62	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	388.53	386.43	386.25	384.60	388.53 (14/6)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	June 10	Jun 3	May 20	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.58	3.68	2.83

	Jun 8	Jun 1	May 25	year ago (approx.)
S & P Industrial div. yield	3.08	3.64	3.29	2.52
S & P P/E ratio	14.21	14.33	13.29	23.17

TRADING ACTIVITY

† Volume — Millions

	Jun 14	Jun 13	Jun 10
New York	227.150	125.310	155.710
Amex	13.302	8.640	11.660
OTC	174.857	128.472	148.324

NEW YORK	Jun 14	Jun 13	Jun 10
Issues Traded	1,989	1,946	1,950
Rises	1,091	769	868
Falls	432	696	573
Unchanged	466	481	509
New Highs	52	42	37
New Lows	6	10	4

CANADA

TORONTO	Jun 14	Jun 13	Jun 10	Jun 9	1988 High	1988 Low
Metals & Minerals	3072.1	3050.8	3071.8	3063.0	3072.1 (14/6)	2238.7 (8/2)
Composite	3396.2	3376.6	3379.9	3378.3	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1680.92	1674.72	1672.55	1669.76	1681.54 (12/4)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Texaco	2,253,400	50½	+ ⅛
USF & G	4,848,300	33¼	+ ⅜
Philip Morris	3,895,800	83¼	– 1⅝
Exxon	2,672,300	46⅜	+ ⅞
Hewlett-Packard	2,669,100	55⅛	– 3¼
General Electric	2,524,300	43⅜	+ ⅝
IBM	2,388,000	118⅝	+ 1⅝
Chrysler	2,332,900	25⅛	+ ⅝
Payless	1,963,900	24⅜	– 1⅜
Motorola	1,936,700	51½	+ ⅞

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	June 15	June 14	June 13	June 10	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1587.6	1569.5	(c)	1586.6	1599.8 (6/6)	1170.7 (10/2)
All Mining (1/1/80)	808.8	796.8	(c)	811.0	825.3 (7/6)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	174.91	173.94	174.01	173.08	178.92 (21/3)	163.98 (11/2)
BELGIUM Brussels SE (1/1/84)	4900.2	4875.0	4887.3	4889.9	5043.1 (9/3)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	218.82	217.95	218.35	218.61	218.82 (15/6)	180.68 (4/1)
FINLAND Unitas General (1975)	723.6	717.4	712.6	714.2	723.6 (15/6)	530.6 (15/1)
FRANCE CAC General (31/12/82)	353.6	346.5	346.7	350.4	353.6 (15/6)	251.3 (29/1)
Ind. Tendance (31/12/87)	131.1	129.5	128.9	130.9	131.1 (15/6)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	475.65	468.79	469.74	466.94	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1441.5	1421.1	1425.1	1417.7	1457.5 (18/3)	1207.9 (29/1)
HONG KONG Hang Seng Bank (31/7/64)	2699.58	2672.70	(c)	2647.42	2699.58 (15/6)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	482.05	483.05	483.05	483.14	545.07 (18/3)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	28093.52	28061.80	28036.54	27920.36	28093.52 (15/6)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2219.98	2213.63	2209.03	2199.92	2219.98 (15/6)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	259.2	254.0	255.2	254.5	259.2 (15/6)	205.7 (4/1)
ANP-CBS Industrial (1970)	213.0	209.1	209.3	208.8	213.0 (15/6)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	409.31	407.84	405.70	408.70	412.04 (11/4)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	1066.40	1045.30	1042.70	1046.40	1066.40 (15/6)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1281.0‡	1269.0	1281.0	1320.0	1361.0 (6/6)	1154.0 (4/5)
JSE Industrial (28/9/78)	1620.0‡	1604.0	1594.0	1600.0	1658.0 (25/5)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	301.63	299.70	300.74	297.08	301.63 (15/6)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	3007.8	2981.7	2981.7	2990.1	3007.8 (15/6)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	532.7	529.3	531.7	528.6	539.5 (18/3)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	463.7	464.4	464.4	464.4 (10/6)	401.0 (21/1)

**Saturday June 11: Japan Nikkei (c) and TSE (c)

‡ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

Closing Prices June 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A – A – A —								
26	14	AAR s	.36	1.4	21	279	25¼	24⅝	25¼	+ ½
12⅞	8¾	ACMIn n1	19e	10.		406	11¾	11½	11¾	+ ⅛
12⅝	10¼	ACMSc n1.26		11.		604	11⅝	11¼	11⅝	+ ⅛
10⅛	10	ACMSp n				371	10	10	10	
27⅞	10½	AGS			21	1936	27⅝	27½	27½	
7⅞	2⅝	AMCA				79	4	3⅞	4	
8⅝	3¼	AM Ind				3216	3⅞	3⅝	3¾	+ ⅛
29⅛	17	AM Int pf	2	11.		55	18¾	18⅝	18¾	
65½	26¾	AMR			12	4267	48⅝	47⅞	48⅜	+ ¾
11⅛	5¾	ARX			11	194	9⅛	8¾	8⅞	− ⅛
72⅞	40⅛	ASA	3	6.7		576	45¼	44½	44¾	+ ¾
22⅝	9½	AVX			13	71	17⅞	17½	17⅞	+ ¾
68⅝	40	AbtLab	1.20	2.6	16	4188	45⅞	45	45⅝	+ ½
28	15⅞	Abitibi g	1			73	18⅝	18½	18⅝	
16¾	8½	AcmeC	.40	3.5		379	11⅜	11⅛	11⅜	+ ¼
20	14⅛	AdaEx	3.05e	19.		113	16⅛	15⅞	15⅞	
19⅛	6⅞	AdamMl	.24	1.5	13	8	15¾	15⅝	15⅝	+ ⅛
24⅞	7½	AMD				4377	16¼	15⅞	16	− ⅛
58¾	29¼	AMD pf	3	7.2		331	42⅛	41½	41¾	− ⅞
11⅞	4⅝	Adobe			13	94	8⅛	8	8	
20⅛	16⅛	Adob pf	1.84	10		59	18¼	18	18	+ ⅛
21¾	17½	Adob pf	2.40	11.		10	21	21	21	
13⅞	5⅞	Advest	.12	1.8	9	93	6⅜	6¼	6¾	
64¼	39½	AetnLf	2.76	6.1	6	2374	45¼	44⅞	45¼	+ ¼
83½	41	AhPub	.40b		7	91	148	59¾	59	59¾ + ½
23¼	13	Ahmans	.88	5.3	11	1277	16⅝	16¼	16½	− ¼
4⅝	1¾	Aileen				24	3	2⅞	3	
53⅞	29	AirPrd	1	2.0	14	1820	51⅛	50¼	50½	− 1¼
34½	11⅛	AirbFrt	.60	3.2	26	59	19	18¾	18⅞	− ⅛
16½	6¼	Airgas			17	80	13⅞	13⅝	13¾	− ¼
19¼	13½	Airlease	2.30	12.	10	49	18⅞	18⅛	18⅞	
10	7⅝	AlaP dpf	.87	9.4		44	9⅜	9¼	9¼	− ⅛
96½	81½	AlaP pf	9	9.7		z70	92½	91	92½	+ 1½
24	12¼	AlskAir	.16		9	16	2510	18⅝	17¾	18¼ + ⅛
38	14¾	Alberto	.30		8	22	43	35⅝	35½	35⅝ + ⅛
[illegible]										

Continued on Page 39

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12	5¼	Redmn	.38	4.9		177	7¾	7¾	7¾	+ ⅛
23	7	Rebok s	.30	2.0	10	2520	15⅜	14¾	15	
2½	7-16	Regal				244	15-32	7-16	15-32	+ 1-32
7⅞	4⅝	RegFn	.25e	4.0		72	6⅛	6⅛	6⅛	− ⅛
17⅞	11	ReichTg	1.75	11.	10	11	15⅝	15½	15½	− ⅛
11½	4½	RelGrp	.24	4.0	4	211	6	5⅞	6	+ ⅛
8¾	4⅝	RepGyp	.38	6.3	26	5	5⅞	6⅛	5¾	− ⅛
55¼	36¼	RepNY	1.20	2.7	250	38	44½	44	44¼	− ⅛
61⅛	28	RevMd	.80	1.6	11	1480	50½	49⅞	50½	+ ⅜
22¾	6¾	Rhodes	.40	1.8	16	307	22	22	22	
46¼	28½	RiteAid	.74	2.0	16	714	37¼	36⅞	37¼	+ ¼
1¼	½	RvrOak				23	⅝	⅝	⅝	
20¼	11½	Robtsn			4	28	14⅛	13⅞	14	− ⅛
28⅝	12¼	vjRobins			15	172	25¼	25	25⅛	
18⅝	14¼	RochG	1.50	8.6	11	88	17⅝	17½	17½	− ⅛
49⅛	37	RochTl	2.72	5.8	14	158	46¾	46½	46¾	+ ⅛
13¼	8⅞	Rckwy	.36	3.8	13	383	9⅞	9⅛	9⅛	+ ⅛
20⅞	14¼	RckCtr	1.64	8.7	14	604	19⅛	18⅞	19	
29⅞	14¼	Rockwl	.72	3.4	6	4217	21¼	20⅝	21¼	+ ⅛
10½	4⅞	RodRen	.14e	2.2		5	6⅜	6⅜	6⅜	
53¼	24	RoHaas	.92	2.7	11	894	33⅞	32½	33⅞	+ 1⅛
29	12¼	Rohr			19	2006	33¼	32½	32½	+ ½
25¾	11½	RolinsE	.08	.4	29	2276	21½	20⅞	20⅞	− ⅝
24¾	12¼	Rollins	.52	3.3	17	40	15⅝	15⅝	15⅝	+ ⅛
39⅛	19¾	Rorer s	.80	2.4	19	837	34	33⅛	33½	− ½
79⅝	⅜	Rothch				695	⅞	¾	¾	+ 1-16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

Closing Prices June 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 15

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

AMERICA

Dow rises slightly despite emergence of profit-takers

Wall Street

EQUITIES managed a small gain in subdued business yesterday as the market consolidated its position after Tuesday's gains and profits were taken, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 6.93 points higher at 2,131.40, the highest close since the October stock market crash.

Volume was modest with only 150m shares traded compared with more than 200m shares on Tuesday.

US Treasury bonds moved modestly lower in a reaction to gains of 2 full points on Tuesday in a positive response to news of a much lower than expected US trade deficit in March. In late trading, the benchmark long bond was quoted ⅛ point lower to yield 8.825 per cent.

Two important economic releases yesterday had little impact on financial markets.

Industrial production rose a seasonally adjusted 0.4 per cent in May compared with a revised increase of 0.6 per cent in April. April's gain was originally reported as 0.7 per cent.

Retail sales rose by 0.1 per cent in May. The fall in May was revised to 0.4 per cent from 0.6 per cent previously reported.

Both equity and bond markets have made substantial progress in the last fortnight, reversing some of the sharp losses incurred last month as markets were in the grip of inflation fears and were witnessing a tightening of US Federal Reserve monetary policy.

Those fears were then thought to have been exaggerated and the markets have now rebounded to levels which many believe are more in line with economic fundamentals.

However, economic growth remains very healthy, which leaves economists looking for growth in the second quarter of perhaps 3 per cent to 3.5 per cent.

Commodity prices have been putting significant upward pressure on food prices, which remain a concern.

Increasingly, the prospect of November's presidential elections will begin to weigh on investors' nerves at a time when genuine interest in investing in either bonds or equities seems sporadic.

Both equities and bonds are likely to enter a phase of consolidation now, with further gains more difficult after recent strong rallies.

Between May 27, the Friday before the long Memorial Day weekend, and Tuesday's close the Dow gained 168.03 points, taking it to a new post-crash peak.

The yield on the Treasury's long bond fell from 9.33 per cent to 8.81 per cent during the same period.

In the equity market, one of yesterday's largest movers was Irving Bank which surged $3⅞ to $70⅛ on news that Bank of New York had sweetened its cash and stock takeover offer in the latest move in an apparently unending battle for control of Irving.

Bank of New York, which saw its stock fall $⅜ to $33, has boosted the stock portion of its offer, providing for a $2.50 a share dividend for Irving shareholders and adding rights which would entitle holders to as much as $2.590 a share from proceeds of the proposed sale of Irving's headquarters.

Bay Financial fell $⅛ to $18⅞. Pennant Properties of Britain said it had entered into an agreement with Bay in an effort to negotiate a friendly takeover. Pennant has proposed $16 a share for the shares it does not already own.

Canada

A LACKLUSTRE session of dealing left share prices on the Toronto Stock Exchange slightly higher.

The composite index, which had slipped about 2 points in earlier trading, firmed 3.75 to 3,399.9 as declines outnumbered advances by 380 to 376 on a moderate turnover of 24.2m shares.

SOUTH AFRICA

A QUIET day in Johannesburg saw prices end mixed, with support for some gold shares from a steady bullion price and a weaker financial rand. Vaal Reefs rose R3 to R266, but Randfontein shed R2.50 to R256.

Elsewhere, De Beers was up 35 cents at R35.85 and Anglo American rose 25 cents to R51.

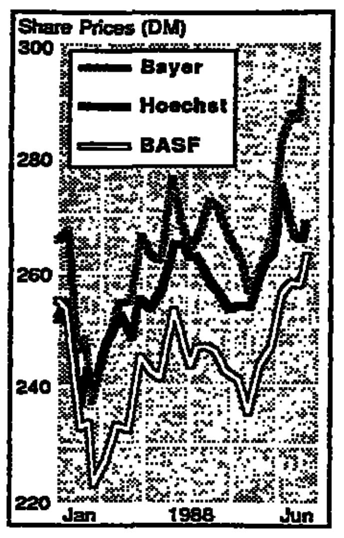
Andrew Fisher examines the mix of factors behind one sector's recent revival

Germany experiences a chemical reaction

WEST GERMAN chemical shares have put on a spurt over the past few weeks as investors have woken up to the companies' continued solid profit performance and the way that this year's weaker D-Mark has helped their foreign earnings.

In the past four weeks, chemical stocks have slightly outperformed the overall market with an 8 per cent gain against a 7 per cent rise in the FAZ index. "The chemical groups have been on an upward profit trend for the past few years and this seems likely to continue, at least in 1988," says Mr Ulrich Krause-Heiber, an analyst with Westdeutsche Landesbank in Düsseldorf.

The big three chemical concerns, Bayer, Hoechst and BASF, have reported promising progress in 1988. Generally regarded as cyclically vulnerable in the past, they have restructured themselves in a way that they believe makes them more able to weather future recessions. "They are more robust than at the start of the 1980s," asserts Mr Krause-Heiber.



Specialised companies such as Henkel and Schering – the latter's shares have more than doubled from this year's low – are benefiting even more from the strength of world demand as economic growth proves sturdier than expected.

While the big three companies partly benefit from a weak dollar, which keeps down raw material costs, they have made further gains this year from the depreciation of the D-Mark against the dollar and from the steadiness of the US currency in Europe.

"This has stopped the erosion of their competitiveness and improved their export position in Europe," says Ms Penny Swales, European chemicals analyst with Barclays de Zoete Wedd in London. "It also helps the translation (into D-Marks) of their US revenues."

The Commerzbank index of the three major chemical stocks shows an overall 6 per cent gain since the end of last year compared with a near 10 per cent decline during January. The bank's index of other chemical shares – including Schering, Henkel and five more – shows a 16 per cent rise to date, following an 8 per cent drop at the end of January. The total market index is up by 11 per cent on the year so far.

Ms Swales notes: "The Western world is showing a tremendous demand for chemical products."

The big three companies have reduced their exposure to volatile high-volume sectors, such as textile fibres, and moved further into high-value, high-technology areas, including ceramics and composite materials. "On fundamentals, they are very undervalued," she adds.

All the chemical companies are still well below their peaks reached before last October's crash, which stunned the German market for longer than most.

Yesterday, however, the chemicals all made strong gains: Bayer rose DM6.50 to DM293, compared with an end-1987 level of DM263.80 and a 1988 low of DM237.10; BASF added DM3.80 to DM262.50, against DM255.50 at the end of 1987 and a 1988 low of DM223; and Hoechst gained DM3.50 to DM269, against DM250 at the end of last year and a low this year of DM237.60.

High-flyer Schering, which has reported surging profits after two years of sagging earnings, has moved way beyond its end-year level of DM353 and 1988 low of DM332, closing yesterday at DM530, up DM10. It has successfully introduced an oral contraceptive, Femovan, and new product launches are expected in other areas. Yesterday the company reported that group sales had risen by 12 per cent in the first five months of the year.

With higher dividend yields and lower price-earnings ratios than the average market levels, the big German chemical stocks could well remain a favourite with investors this year. Generally, chemical stocks underperform, though they also tend to fall less steeply when the overall trend is downwards. This gives them a defensive character.

If, however, they come through the next bad economic patch relatively unscathed, says Ms Swales, "I think that people's perception will change."

EUROPE

Sellers trim gains after confident opening

THE BETTER US trade figures and the rise in the dollar gave an impetus to prices in Europe yesterday, but profit-takers moved in at higher levels to leave shares slightly below their best, *writes Our Markets Staff.*

Volumes in many centres fell back as institutional investors paused to reassess their international strategies in the light of the US deficit.

FRANKFURT set off strongly in early trading, with prices rising between two and three per cent, following the gains overnight in New York and Tokyo and the sharp advance by the dollar.

But support weakened later. "People are looking to take profits at a higher level. Essentially it's a trading market," one analyst commented. The FAZ index finished at 475.65, up 5.86 and just below the 1988 high of 476.37 reached on March 18.

The best performers were the most liquid stocks such as Daimler, up DM11.50 at DM654, and BMW, which gained DM11 to DM538. Siemens closed up DM5 at DM390 after reaching DM392.90, and Deutsche Bank was DM11 higher at DM441. Allianz was another strong performer, up DM18 at DM1,415.

Chemicals did well, and pharmaceutical Schering gained DM10 to DM530. Feldmühle Nobel, the diversified paper maker, managed a DM3.80 rise to DM284 after its DM13.30 setback on Tuesday.

Bonds ended up but off their best levels in thin trading after a strong advance on Tuesday. The yield on the 6½ per cent 1998 federal bond fell to 6.49 per cent from 6.51 per cent.

PARIS also had a good start, following through from a strong aftermarket on Tuesday, but prices came off to end slightly lower following Wall Street's uninspiring opening.

Volumes were estimated to have fallen to under FFr1.5bn and the EFX 50 index finished off 0.45 at 349.52 after rising to 352.92 during the day. The CAC General index, based on opening prices and reflecting the previous day's trade, reached 353.6, up 7.1, its highest level since the October crash.

Valeo, the car components group, finished FFr8 lower at FFr507 after rising to FFr539 in the wake of its strong profits figures on Tuesday. Cie du Midi, the possible target of Generali of Italy, fell FFr22 to FFr1,501 after reaching FFr1,520.

Groupe Victoire added FFr5 to FFr560 after a newspaper report that an agreement on a link-up with Royal Insurance of the UK now depended only on an official go-ahead from the French authorities. Victoire has apparently estimated the size of the deal, in which its insurance activities would be tranferred to Royal in return for a 30 per cent stake in the enlarged group, at FFr22bn.

MADRID reached a new year's high in response to Tuesday's US trade figures, and the general index closed at 301.63, a gain of 1.93 points. Bullish market sentiment was dampened only by selective profit-taking. Tuesday's volume figures revealed turnover at Pta18.7bn, continuing the recent firm trend.

The chemical sector performed strongly with a rise of 6.66 points. Aragonesas rose by 49 percentage points to 634 per cent of nominal market value, while Petroleos put on 10.5 points to 553.

Catalan-based paper company Sarrio was strong on speculative buying and the shares climbed to 445 from 414.5.

MILAN reached the end of account and technical trading pushed the MIB index up by 0.50 per cent to 996. Interest focused on specific issues and dealers reported reasonable volume.

Montedison continued to rise, putting on L38 to close at L1,687 before reaching L1,699 in after hours trading on foreign and domestic buying. Stakebuilding speculation was rife, but a stock shortage was partly responsible for the increase in price.

Acqua Marcia, the Romagnoli family holding company, rocketed amid mounting speculation over the sale of associate company Cogefar. The shares ended L106 better at L477, a near-29 per cent gain in a thin market.

Snia, Fiat's defence and chemicals subsidiary, rose L55 to L2,046 on technical considerations. The shares were also helped by government defence contract hopes.

ZURICH was boosted by a rising dollar and the US trade figures and the all-share index rose 7 to 861.8 in improved turnover. Demand centred on chemical stocks and banks.

Ciba Geigy bearers rose SFr85 to SFr3,290 and Sandoz certificates gained SFr50 to SFr1,945. In banks, UBS bearers rose SFr40 to close at SFr3,280, SFr10 off their high for the day.

Schindler Holding, the engineering company, put on SFr90 to SFr5,050 after announcing its intention to acquire a majority holding in loss-making computer company, Also Holding.

AMSTERDAM suffered from profit-taking after an active opening and trading turned dull later. A more lively session had been anticipated after Tuesday's US trade deficit announcement.

The weighted ANP-CBS general index, calculated at midsession, gained 5.2 to 259.2.

Paper maker KNP, which has predicted a 40 per cent rise in profits, gained Fl 6.80 to Fl 147.

Computer company HCS was suspended at Fl 10 pending its annual meeting due today. Shareholders lost a court case yesterday through which they had sought to force the company to provide more information on the acquisition of two smaller computer concerns.

BRUSSELS traded broadly higher and the stock index rose 25.20 points to 4,900.20. A general shortage of stock helped prices in quiet trading.

Supermarket retailer GB-Inno, closed BFr28 better at BFr1,302 on turnover of 45,000 shares.

Steelmakers Cockerill and Arbed both rose by BFr5 to BFr250 and BFr1,995 respectively.

STOCKHOLM advanced with a little less vigour than expected following the US trade figures. Blue chips recorded the best gains and turnover was a moderate SKr328m.

S-E Banken, which announced lower-than-expected four-month results on Tuesday, slipped SKr2 to SKr146. Atlas Copco, one of the day's best performers, added SKr7 to SKr211.

London

TURNOVER jumped to over 550m shares as the FT-SE 100 index recorded a 3.1 point rise to 1,869.3. Selective institutional demand saw blue chips falter after leading the market higher in early trading.

Pharmaceutical stocks Glaxo and Wellcome rose on strong buying interest.

ASIA

Turnover swells as Nikkei marches on to record high

Tokyo

TURNOVER soared in Tokyo yesterday in the wake of Wall Street's advance following the improved US trade figures, and the Nikkei average rose to a record high, *writes Shigeo Nishiwaki of Jiji Press.*

Buying centred on steels, high-technology stocks and non-ferrous metals. But the rapidity of the advance worried investors that the Tokyo Stock Exchange might take measures to prevent overheating, and prices lost steam toward the close.

The Nikkei market indicator rose 31.72 to close at 28,093.52, overtaking the previous record of 28,072.02 registered on June 9. It began the day at a low of 28,081.76 and soon reached a high of 28,294.06, before falling back.

Volume swelled from Tuesday's 930m shares to 2.49bn. Gains led losses by 513 to 363.

Individual investors, business corporations and dealers bought heavily, encouraged by the rise of the Dow Jones Industrial Average to a post-crash high. Institutions, however, were wary.

Heavy buying pushed up large-capitalisation steel stocks – particularly five major blast furnace steelmakers, which occupied the top five slots on the active list. Trading in the 10 most active issues accounted for 57.4 per cent of transactions.

Steels had begun to attract demand when they fell below Y400, as investors noticed improving business performance and redevelopment projects. Yesterday's trading in the stocks, however, was mainly due to speculators.

The five blast furnace steelmakers registered all-time highs, reaching Y500 or higher. Nippon Steel briefly soared Y31 to Y560 on the day's heaviest trading of 289.24m shares, but the gain was later trimmed by profit-taking and the issue closed Y21 higher at Y550. Kawasaki Steel, second with 204.68m shares, climbed Y4 to Y553 and NKK Y5 to Y525.

Major high-tech issues were also animated. Fujitsu and NEC climbed Y30 and Y40 at one stage, but they closed unchanged at Y1,590 and Y2,220 under profit-taking pressure.

Investors sought non-ferrous metals on rising prices of aluminium. Mitsui Mining and Smelting added Y25 to Y660 and Nippon Mining Y30 to Y650.

Bond prices opened firmer, following the improvement in the US trade balance, but dealers grew anxious as long-term investors failed to increase their buying. The market was also affected by the Bank of Japan's tolerating a rise in bill discount rates and the dollar's gain to above Y126.

The yield on the benchmark 5.0 per cent government bond due in December 1997 plunged to 4.590 per cent but rose later and finished unchanged from the previous day at 4.660 per cent in TSE block trading.

A wide variety of issues was purchased on the Osaka Securities Exchange and the stock average hit a new high of 28,015.68, up 161.84. Trading increased by 92m shares to 194m.

Life Stores rallied Y130 to Y2,590 and Toa Wool Spinning rose Y70 to Y1,600.

Australia

STRONG performances on Wall Street and in London helped to lift the market out of its recently pessimistic mood and shares were marked higher. Optimism that the Government would not raise domestic interest rates also encouraged investors.

The All Ordinaries index rose 18.1 to 1,587.6. Turnover was 117m shares worth A$183.9m.

Renewed institutional demand sustained the rally, and returning confidence helped banks, media and food stocks.

Hong Kong

HECTIC trading on opening catapulted the Hang Seng index to around 2,720 as the market reacted to the US trade figures. At midday the index was up nearly 30 points, before afternoon profit-taking pegged the advance to just beneath the psychologically important level of 2,700. The index closed at 2,699.58, up 26.88, on healthy HK$1.89bn turnover.

Property company Cheung Kong was the most active stock, with HK$136m worth of shares changing hands as the price rose 20 cents to HK$8.

Wormald Pacific announced a 5 cent dividend and one-for-four bonus issue, but after rising 8 cents to a high of HK$1.62, it ended only 1 cent up at HK$1.55.

Singapore

THE MARKET opened in bullish mood, encouraged by US April trade figures. The Straits Times industrial index rose 18.45 to 1,063.75 – its highest level since the October crash. Turnover was a buoyant 60m shares.

Singapore-based blue chip companies led the way. Among the best performers, Fraser and Neave climbed 35 cents to S$8.85 and Inchcape 30 cents to S$5.90.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

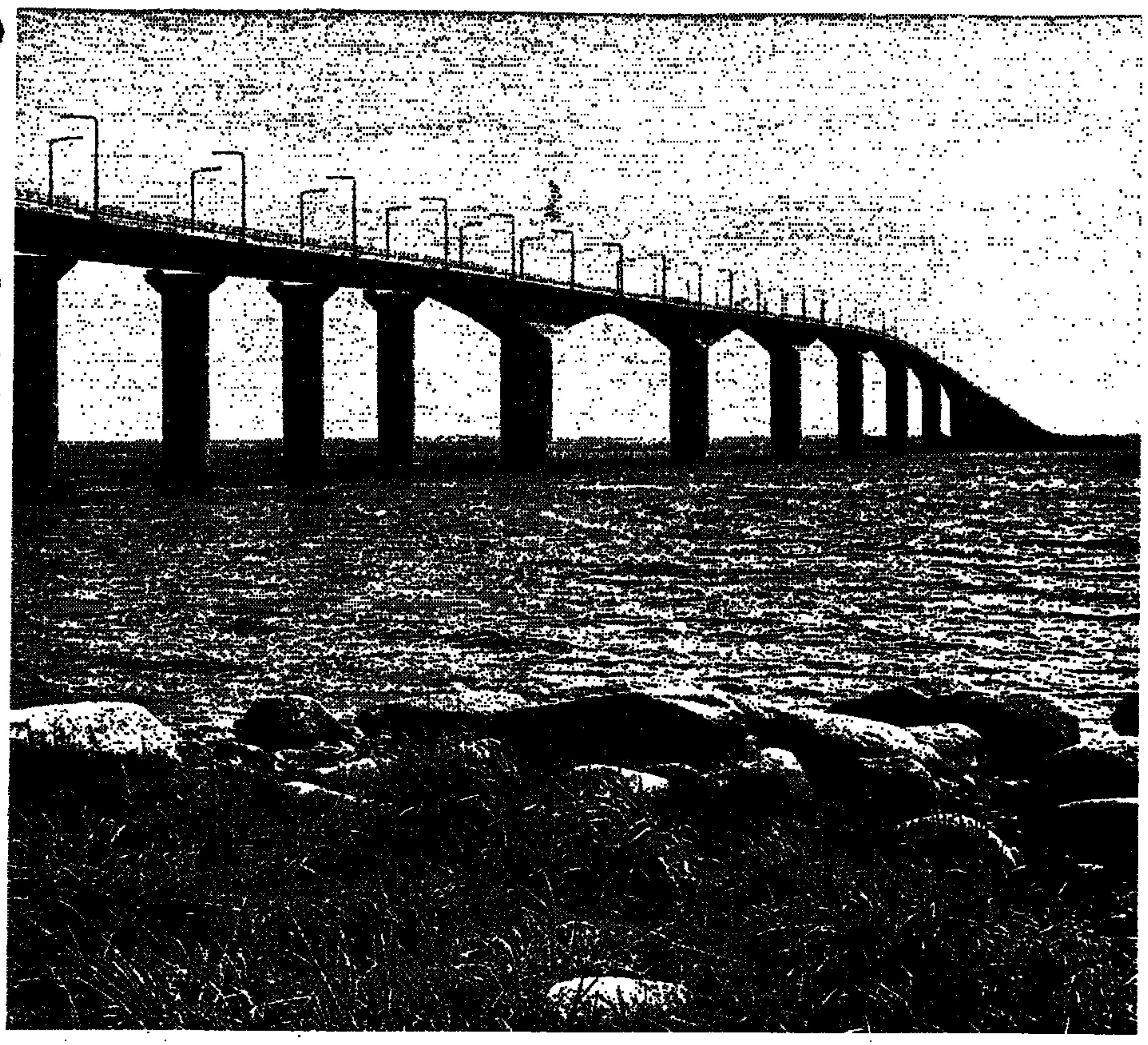
NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 15 1988					TUESDAY JUNE 14 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	143.71	+1.9	119.26	119.05	3.76	141.05	117.15	117.64	145.74	91.16	137.16
Austria (16)	86.65	+0.1	71.91	78.88	2.59	86.57	71.90	78.55	98.18	84.35	86.34
Belgium (63)	122.33	-0.1	101.52	110.87	4.54	122.44	101.69	110.66	139.89	99.14	117.36
Canada (125)	125.61	+0.2	104.24	110.56	3.07	125.39	104.15	110.59	125.61	107.06	126.48
Denmark (39)	131.65	+0.3	109.26	119.03	2.44	131.25	109.01	118.26	132.72	111.42	120.16
Finland (25)	139.11	-0.3	115.45	121.06	1.73	139.53	115.89	120.73	139.53	106.78	–
France (128)	97.73	+0.4	81.11	90.64	3.57	97.38	80.88	89.97	99.62	72.77	108.63
West Germany (99)	77.89	+1.0	64.64	70.98	2.61	77.09	64.03	69.99	80.79	67.78	92.81
Hong Kong (46)	108.50	+0.9	90.04	108.75	4.21	107.49	89.28	107.68	108.50	84.90	125.91
Ireland (18)	139.31	+0.6	115.61	128.47	3.69	138.47	115.01	127.23	139.31	104.60	129.20
Italy (102)	69.76	-0.1	57.89	67.78	2.96	69.80	57.98	67.56	81.74	62.99	101.24
Japan (456)	174.35	+0.5	144.69	139.09	0.52	173.50	144.10	138.62	177.27	133.61	157.32
Malaysia (36)	144.78	+1.1	120.15	143.83	2.53	143.25	118.98	142.14	144.78	107.83	169.55
Mexico (14)	170.64	+2.4	141.61	425.37	1.17	166.70	138.46	415.56	176.90	90.07	251.35
Netherland (38)	107.39	-0.4	89.12	96.49	4.79	107.86	89.59	96.52	110.66	95.23	119.37
New Zealand (21)	83.02	+1.1	68.90	62.72	5.76	82.09	68.18	62.13	83.02	64.42	99.69
Norway (25)	126.82	+0.1	105.25	109.48	2.76	126.68	105.22	109.01	132.23	98.55	139.27
Singapore (26)	122.20	+2.3	101.41	114.09	2.20	119.51	99.26	111.38	122.20	97.99	141.85
South Africa (60)	130.57	-0.7	108.35	86.16	5.10	131.49	109.21	85.48	139.07	118.16	155.57
Spain (42)	162.06	-0.4	134.49	142.05	3.05	162.72	135.15	141.82	164.47	130.73	114.38
Sweden (36)	123.33	+1.1	102.34	111.00	2.56	122.02	101.35	109.60	125.50	96.92	115.79
Switzerland (55)	81.00	+0.7	67.22	73.62	2.32	80.47	66.84	72.97	86.75	75.60	95.34
United Kingdom (327)	138.76	+0.3	115.16	115.16	4.25	138.33	114.90	114.90	141.18	123.09	153.12
USA (578)	111.69	+0.1	92.69	111.69	3.50	111.58	92.67	111.58	111.69	99.19	124.85
Europe (1013)	109.90	+0.3	91.20	96.23	3.70	109.54	90.98	95.76	110.82	97.01	122.29
Pacific Basin (673)	170.53	+0.6	141.52	136.94	0.70	169.60	140.86	136.42	172.26	130.81	155.28
Euro-Pacific (1686)	146.29	+0.5	121.40	120.73	1.62	145.58	120.92	120.24	147.53	120.36	142.12
North America (703)	112.43	+0.1	93.30	111.64	3.47	112.31	93.28	111.54	112.43	99.78	124.94
Europe Ex. UK (686)	91.99	+0.3	76.34	84.39	3.21	91.68	76.15	83.79	92.99	80.27	103.16
Pacific Ex. Japan (217)	124.53	+1.6	103.34	109.91	3.90	122.62	101.85	108.62	124.53	87.51	130.47
World Ex. US (1885)	145.44	+0.5	120.69	120.17	1.69	144.77	120.24	119.69	146.49	120.26	141.78
World Ex. UK (2136)	131.77	+0.4	109.36	117.43	2.06	131.31	109.07	117.06	131.77	111.77	133.40
World Ex. So. Af. (2403)	132.39	+0.4	109.87	117.42	2.25	131.92	109.57	117.07	132.39	113.26	135.02
World Ex. Japan (2007)	112.25	+0.2	93.15	106.06	3.59	111.98	93.01	105.75	112.25	100.00	124.63
The World Index (2463)	132.38	+0.3	109.86	117.21	2.27	131.92	109.57	116.85	132.38	113.37	135.15

Base values: Dec 31, 1986 = 100. Finland Dec 31, 1987 = 115.037 (US $ Index) 90.791 (Pound Sterling) and 94.94 (Local)

SECTION IV

FINANCIAL TIMES SURVEY

The repercussions of the Palme affair, which has recently led to a Minister's resignation, are still uncertain. But Sweden is having to reassess its place in the world in the light of the European Community's drive to a free internal market by 1992, writes **Robert Taylor**, Nordic Correspondent



The Oland Bridge is the longest in Europe. Now Sweden must confront the need to build bridges to the rest of Europe

CONTENTS

KEY FACTS

Population	8.4m
Area	173,600 sq miles
GNP (per capita)	$15,650
GDP	$131.1bn
Trade	
Exports	SKr281.4bn
Imports	SKr257.4bn
Current account balance	-SKr5.2bn
Structure of merchandise exports	
Primary commodities	$4.24bn
Oil and gas	$1.06bn
Manufactured products	$31.84bn
Structure of merchandise imports	
Manufactured products	$77.5bn
Oil and gas	$3.48bn
Primary commodities	$3.8bn
Debt service as a percentage of GDP	1-1.5 per cent
Average annual growth rate	1.6 per cent
Average annual rate of inflation	5.5 per cent

Coming out of the cold

SWEDEN

SWEDEN, for most of this century isolated from the mainstream of European history, is having to confront a potentially threatening new reality.

Its business leaders and now a growing number of its politicians have begun to recognise that their affluent, stable country cannot continue to enjoy the fruits of a highly successful, open economy for much longer if it stands aloof from the rest of the Continent and in particular the European Community's drive to a free, internal market by the end of 1992.

This is not merely a question of Sweden's natural need to protect its own living standards; it goes far beyond economics. Slowly and painfully, the country is having to reassess its own place in the world. Over the past few months the pages of Sweden's national newspapers have been filled with lengthy articles on the pros and cons of having a closer relationship with the EC.

At this stage there can be no question of an outright Swedish application for full membership status, even if Brussels was eager to receive one, which it is not. As Mr Ingvar Carlsson, the Prime Minister, made clear during his European journey last month, Sweden's long-term commitment to political neutrality in international politics makes it impossible for the country to consider any formal integration into the European Community.

But he also went on to tell Mr Jacques Delors, its president; Mrs Thatcher and Chancellor Helmut Kohl of West Germany that Sweden intended to follow the EC example by deregulating and committing itself to far-reaching internal reforms that will transform its economy, in line with what is going to happen inside the EC itself over the next four years.

There is an impressive consensus, at least among Sweden's business community that the country needs to become much more European if it is to go on thriving in the future. In fact, much of the concerted pressure since last winter to put Sweden's relations with the EC at the top of the political agenda has come from outward-looking entrepreneurs like Mr Pehr Gyllenhammar (chairman of Volvo), Mr Peter Wallenberg from the country's leading industrial family and Mrs Antonia Axson Johnson, who heads the Axel Johnson group.

Characteristically, the Government decided two months ago to defuse possible controversy over the issue by establishing an advisory committee of prominent industrialists, bankers and union leaders to examine the likely problems of Sweden's future relations with the EC.

Thus it seems unlikely that the European question will dominate the Swedish general election on September 18. None of the political parties at this stage, not even the Moderates (the country's conservative party), seems willing to appear unequivocally enthusiastic in favour of outright EC membership for Sweden. On the other hand, only the Communists voiced outright hostility in a recent debate in Parliament to the suggestion that Sweden should draw ever closer to the EC.

With its usual, curious blend of morality and self-interest, Sweden is already taking an openly pragmatic view of its future relations with western Europe. For many industrialists a commitment to closer ties with the EC goes much further than an understandable desire to expand their own business activities in the wider market through the already well-proven strategy of mergers and amalgamations. It also derives from the often unspoken wish to see a gradual change in the basic assumptions that have governed Sweden for most of the post-war period.

Any move towards harmonisation with the countries of western Europe will inevitably chip away at the "cradle to grave" welfare state and the collectivist ideas that have helped to ensure Sweden's undoubted success as an overwhelmingly privately-owned open economy with a strong measure of equality, based on high rates of personal taxation and often intrusive forms of social control that conflict with those Swedes who hanker for a more loose-limbed individualism.

At the moment the powerful Swedish labour movement has not adopted a clear-cut attitude to the European question but there are already some on the left who fear that any uncritical commitment to government moves along the EC road will undermine the achievements of Social Democracy. In particular, there is concern that as Sweden becomes more European it will dilute its belief in the idea of "full" employment.

Mr Carlsson and his Cabinet colleagues have a passionate concern to make sure their country's jobless remain few in number (at the moment only 1.8 per cent of Sweden's workers are unemployed, compared with an average of 8 per cent in the rest of the OECD). Indeed, the Prime Minister never loses an opportunity to emphasise the success of his country in keeping down unemployment to acceptable levels. It was one of the points on which he found himself in disagreement with Margaret Thatcher when he met her at 10 Downing Street for the first time last month.

Many parts of Swedish industry are suffering from acute labour shortages at the moment and the active encouragement of skilled workers to emigrate in search of work to Sweden would help rather than wreck the future prosperity of the country. There is no reason to suppose closer relations with the EC would somehow contaminate Sweden with the virus of mass unemployment. On the contrary, it might provide a necessary leavening of the labour market, which is in danger of being overwhelmed by its own success.

However, underlying reservations about Sweden's identity as a purely western European country remain just below the surface and they take many forms. Some more sober Swedes, for example, worry that links with the EC might compel them to reduce the present extortionate cost of alcohol and this could lead to an upsurge of drunkenness with all its attendant evils. The strength of the temperance cause should never be under-estimated in Sweden. Even parliament is not immune: about a third of its members are teetotallers.

Thus, even in the big cities, there are few lively bars, though Stockholm is growing far more cosmopolitan in its tastes compared with 10 years ago. Yet the anti-drink lobby may be expected to put up fierce resistance to any liberalisation of the present tough official attitudes to alcohol, were that necessitated by a commitment to moving in the EC's direction.

There is also a more fundamental tension inside Swedish society that will ensure a good deal of internal agonising about the EC over the next few years. With considerable justification, many Swedes have a high regard for their country's relative success over the past 50 years in becoming one of the most affluent in the world.

It is true that some worry about what they see as the hostile image of Sweden abroad, particularly in the United States. In the year that commemorates the 350th anniversary of the first Swedes to the shores of the New World in Delaware, an organisation has even been launched to sell Sweden to the doubters as a land of plenty; beautiful, unpolluted country; profitable companies with household names; brilliant tennis players; and healthy people who tend to live longer than most of the rest of the human race.

President Eisenhower's gibe of 30 years ago that Sweden was dominated by "sin, suicide and socialism" was ill-informed even at the time. But the image stuck and it will take a good deal of glossy public relations to destroy the mythology.

Sweden remains rather smug and self-righteous about its own virtues, often to the irritation of other western democracies. The baffling and still unsolved assassination of Prime Minister Olof Palme 2½ years ago upset the complacent idyll and it has done something to undermine the faith that most Swedes have for those

Continued on page 2

Robert Taylor looks at how the political situation has changed in the past fortnight

Palme affair gives non-Socialists a chance

SWEDEN'S VOTERS go to the polls on September 18 in their country's general election and at this stage there must be a serious doubt about who is going to win after the latest political revelations about the Olof Palme murder inquiry and the resignation of the country's Minister of Justice. Up until a fortnight ago, most observers believed that the Social Democrats would have little difficulty in securing yet another victory, though perhaps by only a narrow margin.

Under the pragmatic, low-key leadership of Mr Ingvar Carlsson, it remains the overwhelmingly dominant political power in Sweden, but recent events have placed a very serious question over the party's competence to govern.

The three main opposition non-Socialist party leaders believe they have an unexpected opportunity to seize the initiative and focus public attention on what they regard as an abuse of governmental power over the Palme affair. If the so-called bourgeois parties can also overcome their genuine policy differences and present themselves as a credible alternative coalition government they must stand a good chance of victory in the autumn.

However, the capacity of the Social Democrats to stage a swift political recovery must not be under-estimated. Their electoral performance has been quite remarkable in modern times. Ever since 1932, except for a brief six-year period between 1976 and 1982, they have held uninterrupted office, usually in alliance with a smaller party. No other democratic party in the world has achieved such a record. Next year they will have much to celebrate at their 100th anniversary, though the ghost of Olof Palme may turn out to be a spectre at the feast.

A fundamental reason for the continuing hegemony of Swedish social democracy lies in its unity. In the other Nordic countries, where the labour movement has been historically influential, the Socialist parties have endured damaging divisions and fragmentation over recent years. But in Sweden, despite the temptations provided by a proportional representation system of voting, the Social Democrats have held together.

It is true that the government has been buffeted by a seemingly endless series of scandals over the past year, which have often cast doubt on the wisdom of some of its decisions. The previous Minister of Justice was also forced to resign last autumn after the farcical escape of Sweden's top spy during home leave from prison. But at least the public authorities, who used to feel secure in their posts whatever they did, have gained a greater sense of responsibility.

Ingvar Carlsson: modesty and charm, but no charisma

STATE OF THE POLITICAL PARTIES*

	September 1985	February 1988	May 1988
Social Democrats	44.9 (159)	41.5	42.0
Moderates	21.4 (76)	18.5	20.5
Liberals	14.3 (51)	15.5	15.6
Centre	12.5 (44)	11.5	12.0
Communists	5.4 (19)	3.5	4.0
Greens	–	9.0	5.0

*1985 figures: Last general election percentages and (in brackets) seat allocation in Swedish parliament. 1988 figures: SIFO polls

So far, the public's readiness to express good feelings towards the Social Democrats does not seem to have been much affected. But the latest revelations in the Palme affair, with the resignation of Mrs Anna-Greta Leijon, the Justice Minister, last week, could prove to be far more damaging for the party's prospects.

For its part, the party is preparing to fight a tough election campaign around the theme of creating a "more just Sweden." It can be expected to give a high priority to environmental questions, creating a more efficient state health service and defending democratic rights.

The Social Democrats are also going to argue that the welfare state would be threatened if they lost office – a fear they invoked three years ago and which helped them to stay in power by inflicting a severe defeat on Sweden's main right-wing party, who are called the Moderates.

Mr Carlsson may lack the charisma of Olof Palme, his predecessor, but as party leader he has displayed undoubted ability in holding the party together. He does not arouse the divided passions that Palme could do among the Swedish people. It is true that he hardly cuts a dynamic figure in international politics, yet Mr Carlsson's modesty and charm can be disarming and he will prove a formidable opponent to the other party leaders in September's election.

However, the Social Democrats' handling of the revelations surrounding last week's resignation of Mrs Leijon have put Mr Carlsson's style of government under serious scrutiny and this may rebound against the Social Democrats in the autumn campaign, particularly as it brings his competence and integrity into question.

At the moment the government enjoys a working majority in Parliament because of the co-operation of the Communists but in recent opinion surveys their tiny but usually reliable allies have been polling less than the 4 per cent of votes they require under the constitution to secure seats in Parliament.

Earlier this year the newly emerging Green party appeared to have made serious inroads into public opinion. Up to 9 per cent of people were expressing support for the Greens in poll surveys. If such sympathy was to be translated into votes in September, the Greens would gain entry into Parliament for the first time and probably as a result become a pivotal political force, where no party would enjoy anything like a workable majority.

Such a prospect worries many observers, particularly the Social Democrats. The party has been making a strenuous effort to convince those who might sympathise with the Greens that it has their ecological interests at heart as well. Yet there can be no doubt that Mr Carlsson and his colleagues would not relish the prospect of forming a government dependent for its survival on the capricious feelings of Green members of Parliament.

A recent opinion poll, however, has indicated that Green support is much softer than that enjoyed by the other parties and only one-third of their supporters would actually vote for them in a general election. The fear of electoral instability can still concentrate Swedish minds when it comes to the crunch on polling day, and there are already signs that support for the Greens is waning fast so they may fail to break through the all-important 4 per cent barrier.

However, the Social Democrats may not necessarily turn out to be the ultimate beneficiaries of the waning of the Greens. At the moment the non-Socialist block, made up of the Moderates, the Liberals and the Centre party, are together polling around 47 per cent of public support, neck and neck with the governing party, and they can be expected to use the Palme scandal to suggest that the Social Democrats have shown a contempt for the rule of law, bringing democratic government into public disrepute.

Bengt Westerberg, the Liberal contender for the premiership and (right) Carl Bildt, leader of the Moderates

It is the 45-year-old Mr Bengt Westerberg, leader of the Liberals, who will be the real contender for the premiership in the event of the election of a non-Socialist coalition government. A dynamic, televisual figure, he was the unexpected star of the 1985 general election, but his party is now just behind the Moderates in public esteem, according to the opinion polls.

There is little doubt that the Social Democrats would much prefer to concentrate their campaign fire on Mr Carl Bildt, the 39-year-old leader of the Moderates. In a recent television debate Mr Carlsson took on Mr Bildt in what looked like a contest between experience and precociousness, but the Moderates have staged a modest recovery in their relative position among the non-Socialist opposition and this may well reflect a rightward drift among the electorate.

However, the small Centre party, led by Mr Olaf Johansson, is also a vital component of the so-called bourgeois bloc and it tends to take a more middle of the road position, making it more difficult for the opposition to adopt a clear-cut programme radically different from that of the Social Democrats.

Many observers question whether the so-called bourgeois parties can really hold together and provide an alternative to the Social Democrats. It is true that they have recently found common ground in designing a policy for the family, offering voters a child care allowance for families with young children in preference to the Social Democratic proposal of municipal child care expansion.

But on many important issues, notably nuclear energy, defence and taxation, they remain divided as they were when they held office together six years ago. Moreover, they are intense electoral rivals, fighting against each other in order to strengthen their own bargaining hand in any division of the spoils if they were to win.

However, they do appear to be united on the need to give Swedes a greater freedom of choice in areas like health care and education and this could provide them with a strong platform in the election.

By the time Sweden's election campaign starts in earnest early in August, as the country returns from its summer holiday, the present uncertainties may well have disappeared. Swedes dislike instability and hanker for harmony. Many have bad memories of the public conflicts in government during the six years of non-Socialist rule that ended in September 1982, and they may not want to take the risk of any similar lack of decisiveness.

This feeling could turn out to be Mr Carlsson's trump card, so he can be expected to play it for all it is worth in September. But the Social Democrats may discover that this is no longer enough to convince the voters to back them. The Palme affair could well cost the party the election and plunge Sweden into an unstable and difficult future.

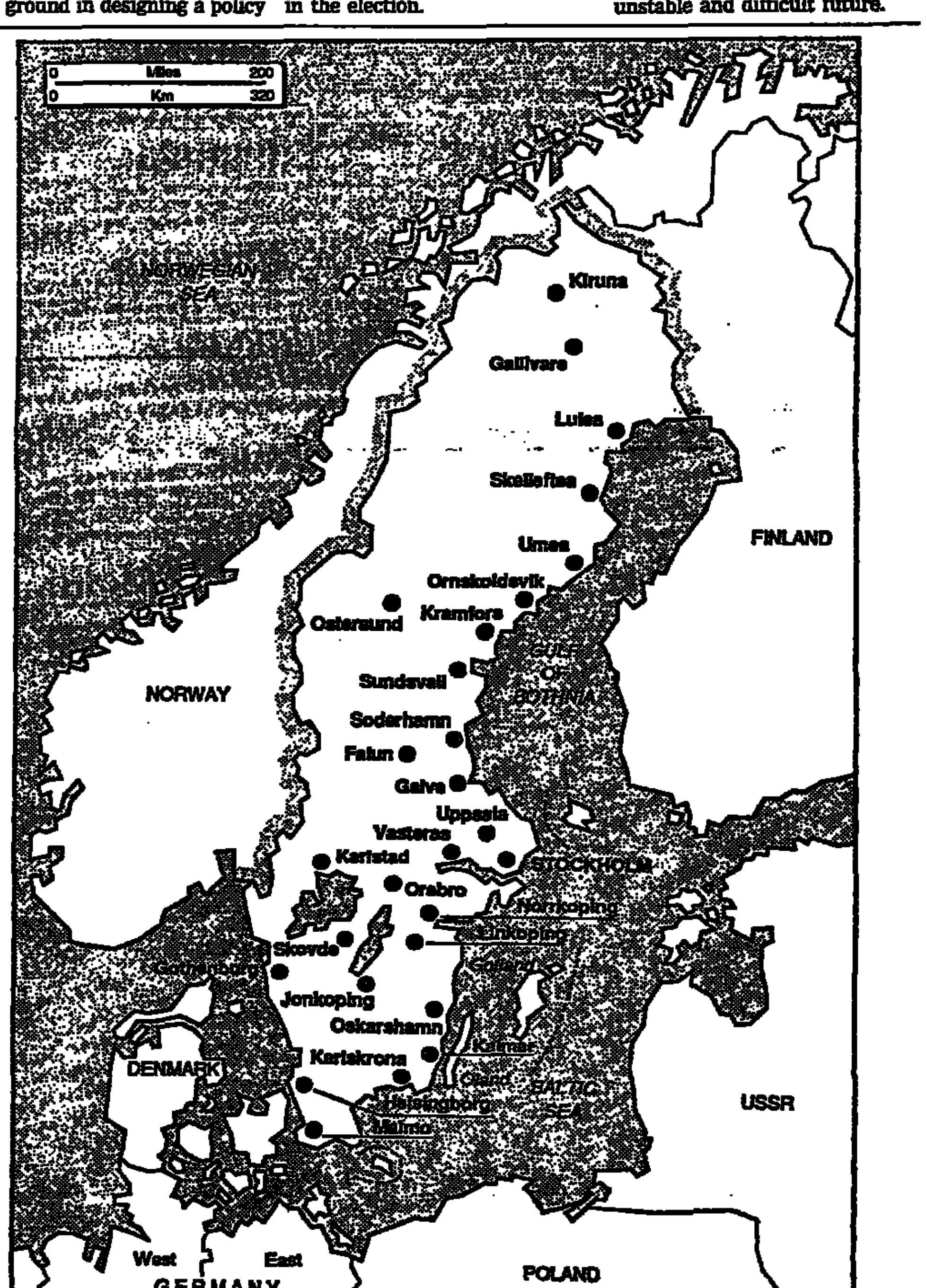
Sweden and the EC

From previous page

in authority, particularly the police, but it has not really changed fundamental attitudes of mind.

The recent disclosure that Mrs Anna-Greta Leijon, the Minister of Justice, set up a secret investigation outside official channels, led by a well-known book publisher, threatens to undermine public confidence still further, particularly as she was forced to resign last week.

There is certainly a good deal for Sweden to be proud of at the moment. Unlike many other European countries, it has no growing underclass. Poverty is very hard to find. Attitudes to coloured immigrants can often be hostile but, to the surprise of many on the left in Sweden, no right-wing mass movement on the Le Pen model has emerged in the country's political life.



Even high taxation has so far failed to provoke a middle-class backlash as it has done in Denmark, though anxieties about the health service and education are growing more pronounced, as the state services come under increasing strain from the growing demand on their finite resources.

By international standards, crime in Sweden remains very low and women can walk the streets of the big cities at night with a much greater sense of security than almost anywhere else in the western world. It is true there is a drugs problem but it has yet to reach epidemic proportions and Aids has come late to Sweden, despite its much vaunted international image as a land of promiscuous sex.

Most Swedes hanker after what they call *lagom*, which literally means "feeling just right" both with themselves and the society in which they live. Their sense of solidarity – shaped in part by over half a century of Social Democratic hegemony but also through the longer-term historical influences of Lutheranism – reflects a shared common tradition. A recent film, *Sagoland* (Wonderland), has won widespread acclaim in Sweden for its critical look at the contemporary character of the country, which is portrayed as being satiated by materialism, regimented in a dull conformity and lacking in the spontaneity and *joie de vivre* enjoyed by less affluent societies.

The criticisms are not new, though they are more often levelled at Sweden by foreign observers than by Swedish film directors. They fall into a well-worn tradition of anti-Swedish attitudes that date from the 1950s, and perhaps go back even earlier.

In the late 1970s, when the Swedish economy ran into severe trouble with a huge deficit, soaring inflation and massive increases in state spending, right-wing economists and politicians outside the country suggested that the Swedish model lay in ruins. Now their strictures look ill-placed. Sweden is booming and living standards are rising at a rapid rate.

Sweden's capacity to confound its enemies remains considerable. Today it remains a country dominated by the ethos of a pragmatic Socialism, which still combines progressive and profitable multinational companies with a welfare state, high levels of unionisation and public service spending, low unemployment and high investment.

This year the Stockholm bourse has been the most expansive in western Europe. There are no hang-ups about share-ownership and profitability, though the "yuppy" culture is rather more subdued in Sweden than elsewhere, and under increasing attack from a resentful and still powerful labour movement.

But there are subtle signs of change all over Swedish society. The days of the centralised monoliths of capital and labour managing a corporatist economy are probably gone for good. To the horror of union bosses and big employers alike, individualism is breaking out on the shop-floor as wage deals are linked far more than they used to be to the actual performance of a company and the personal skills and productivity of the worker rather than the overall performance of the Swedish economy.

Of course, this has led to a surge in wage-push inflation this summer and doubts about whether Sweden can really afford to lose its competitive edge against its major overseas competitors by paying itself more than it earns. But it does reflect a greater sense of acquisitive sectionalism and a weakening of the sentimental ties encouraged by a labour movement committed to social equality.

This individualistic trend is bound to intensify as Swedes at all levels have more contact with Europe. Whether it will change Sweden in any fundamental way, however, is another matter. No other country in Europe, except for Switzerland, has been at peace with itself and its neighbours for as long as Sweden. Spared the traumas of war in this century in its splendid northern isolation, it lacks any sense of mutual suffering that can still stir the memories of many millions of people across the Continent.

As we approach the 50th anniversary of Hitler's war, events of that time will no doubt be commemorated in both West and East. So much of the original impetus for the EC stemmed from a desire to prevent further such conflagrations. But Sweden cannot share that collective sense of grief. Fortunately, through a combination of pragmatism and luck it survived the Second World War untouched.

The lack of such a shared experience does not mean that Sweden is any the less a European country. Most industrialists and politicians, at least in private, believe that Sweden will be a fully-fledged member of the EC by the year 2000. But it does mean that the internal debate about the Swedish identity is going to become a good deal livelier and more profound than it has been up until now.

There is a deep constant tension inside Sweden, perhaps inside every Swede, between a sense of wanting to be alone and apart and a sense of belonging, of wanting to conform. Like most tensions, it cannot be resolved by the triumph of one feeling over the other. The new, wide-ranging debate about Europe, however, does give Sweden, perhaps for the first time in this century, a genuine opportunity to make a vital decision about its own future that could make a beneficial impact on the future of the whole Continent.

By coming in from the cold, Sweden can return to the richness of its past traditions as an important and influential member of the wider European community of nations.

The economy

A model who shows her age

IN HIS budget statement to Parliament earlier this year, Mr Kjell-Olof Feldt, the Finance Minister, declared that the Swedish economy was "essentially strong and well-equipped for the future."

As he explained: "The large imbalances have been reduced by means of hard, purposeful work. The budget deficit has been pushed down to little more than 1 per cent of GDP. The external balance has also been improved. Unemployment is low and the rate of inflation has been halved. In a period of vigorous renewal and expansion, Swedish industry has regained its international strength."

But even in January the government had already begun to recognise there were growing dangers to the well-being of the Swedish economy. Over the intervening months those threats have become ever more intense, even though they have yet to reach anything like crisis proportions.

This summer most Swedes seem unaware of any serious trouble ahead for their continuing economic prosperity as they go on spending beyond their means. There was a modest attempt at cooling the overheated economy in the supplementary budget in the spring but in election year the government is in no mood to take any more radical action by introducing greater fiscal restraint.

Yet the fundamental internal weakness of Sweden's economy has re-emerged in the present conditions of full employment. Once more wage push pressures, as in the past, threaten to undermine the country's international competitiveness and destroy the advantages gained by the devaluation of the krona in the early 1980s. In its latest economic outlook survey the independent Organisation for Economic Co-operation and Development (OECD) in Paris warned last week that Sweden's domestic costs would bring about a slowdown in the country's export growth next year.

Last autumn the government tried to encourage the proposal that wage deals should be kept down to an annual average rise of no more than 4 per cent. Indeed, Mr Feldt warned that it would be catastrophic for the economy if they rose by very much more. However, the recent wage bargaining round has taken little serious notice of such well-founded fears.

In 1987 average earnings in Sweden went up by 7 per cent and they look like doing about the same again this year. This is a figure that is twice as high as the current OECD earnings average.

The underlying rate of inflation is also rising too fast for comfort now, largely as a result of what has been happening in wage negotiations. While the annual price increase rate in West Germany is only 1.1 per cent and 0.7 per cent in Japan, it looks like reaching around 5.5 per cent in Sweden during 1988, perhaps even higher.

The substantial rise in earnings in the private sector, particularly among the large export-oriented companies, reflects their own extremely buoyant business position but this has had an inevitable knock-on effect on the rest of the labour market.

The fundamental internal weakness — wage push pressures — has re-emerged and threatens to undermine the country's international competitiveness

In recent months public sector workers employed in the health service and local government have achieved two-year pay agreements that will bring them overall increases in earnings well in excess of 10 per cent, particularly for those prepared to work unsocial hours in areas of labour shortage.

The need for substantial wage increases for the relatively low-paid public service workers has been recognised across the labour market, because the growing shortage of skilled personnel, especially in the hospitals, was adding to the strains being imposed on the health service.

The new agreements have recognised the need to take into account conditions of supply and demand by introducing much greater discretion for bargaining at local level and making it easier to reward individual merit through higher bonuses. But they have dealt a serious blow at the already weakened centralised system of collective bargaining based on the principle of wage solidarity between workers.

Reluctantly, union leaders have had to bow to the pressure coming from their own members and accept such deals, despite the obvious dangers that these now pose for the traditional Swedish model of wage negotiations, where the centralised organisations of capital and labour used to bargain together collectively outside the workplace and beyond the individual company or even industry.

A recent highly influential book, *Den Svenska Modellen*, by Professor Nils Ervander of Uppsala University, has traced the gradual disintegration of the system during the early 1980s and poses the crucial question of whether it can really be restored.

Under the present conditions of full employment, it is difficult to see how it can be, even though strenuous efforts may be expected over the next few months to try to reach an agreement on overall pay rises in 1989 that will be more in line with what the Swedish economy can really afford.

The difficulties of containing domestic costs are also going to add to the problem of Sweden's current balance of payments deficit, which looks like worsening this year. The government's latest prediction is that it will reach SKr11.5bn in 1988 but it may well be much higher and go on rising next year. However, Sweden's current account difficulties are less acute than they were eight years ago when the deficit amounted to as much as 4 per cent of its GDP, compared with an estimated 1 per cent for 1988.

A continuing fall in the value of the American dollar on foreign exchange markets could be expected to take the krona with it and this would help to maintain Swedish competitiveness against both the West German Deutschemark and sterling. So would a continuation of low oil prices.

At the same time, the annual growth in the country's gross domestic product looks like slowing down to 1.6 per cent this year compared with 2.7 per cent in 1987, with a further decline to 1.3 per cent in 1989.

The government remains committed to full employment. Indeed, ministers insist that they will never pursue economic policies which will endanger it. But the problem is that Sweden is now suffering from the consequences of its relative economic successes of the early 1980s. With as many as 60 per cent of the country's manufacturers working at full capacity, there is a growing shortage of labour so that workers are in a strong position to maximise their bargaining strength.

Traditionally, the Swedish model has absorbed such individualistic tendencies by tolerating a good deal of wage drift in the profitable companies. Now it is proving much more difficult to contain the wage push inflation pressures that result from conditions of full employment.

Perhaps Sweden is becoming more like other western countries as its sense of solidarity becomes less dominant. Certainly Mr Feldt or his successor at the Ministry of Finance will have some difficult decisions to take over the next 12 months if the country intends to avoid returning to the kind of economic problems it had to confront nearly 10 years ago.

In its latest economic perspective Skandinaviska Enskilda Banken, the country's leading bank, provides some succinct reasons why the country has to rule out any further devaluation but it also warns that Sweden, with half its industrial production exported, cannot afford to let its own domestic costs go up more steeply than trends among its trading competitors.

As it argues: "Ultimately there are only two alternatives; rigorous domestic constraints (raised VAT) or a currency depreciation."

The only way to avoid either of those unpalatable remedies will be to ensure responsible wage bargaining. But perhaps the famed Swedish model has outlived its effectiveness in convincing employers and workers alike that voluntary pay restraint is the necessary method of safeguarding their future prosperity.

Robert Taylor

Unemployment

Solving the labour shortage

WITH LESS than 2 per cent registered jobless, Sweden has one of the lowest unemployment rates in the world. As many as 83 per cent of its people between 16 and 64 years old have work, with around a quarter in part-time jobs.

No public speech by Mr Ingvar Carlsson, the Prime Minister, particularly to international audiences, seems complete without a reference to this undoubted achievement. Only Japan, Switzerland and Norway enjoy a similar low level of unemployment among OECD countries. Indeed, the post-war peak of worklessness in Sweden was a mere 3.9 per cent in 1983.

The success of the country's labour market owes very little to chance and a great deal to a traditional commitment to the maintenance of full employment that has dominated government attitudes since the early 1930s. In the last financial year as much as 3 per cent of Sweden's gross national product was devoted to labour market measures which were designed mainly to keep down unemployment.

No political party would stand much chance of doing well in a general election in Sweden if it abandoned the full employment consensus, even though this poses genuine difficulties for establishing a successful and stable incomes strategy.

However, the existence of a tight labour market has not meant that Sweden is hampered by inefficient rigidities in employment. There is a surprisingly high level of mobility at the workplace and in the past few years the government has pushed through necessary industrial readjustment like running down the shipbuilding and textile industries despite the obvious loss of jobs that this involved.

A recent study of the Swedish labour market by Guy Standing, of the International Labour Office in Geneva, concluded that over the past 20 years there had been a "remarkable structural adjustment – moving production and employment out of its heavy industrial base into high-technology export industries as well as into public sector employment – without any period of mass unemployment." The lack of serious workplace resistance to such a fundamental change has owed a great deal to the sense of security generated by the country's labour market system.

As Mr Carlsson told the recent European trade union conference in Stockholm: "It has been possible for the changes to take place more rapidly and less painfully than in many other western countries, since the people who have been obliged to change jobs have not been beset by great financial worries."

This has not meant that the state encourages a permanent and generous system of welfare benefits to ease the position of the unemployed. On the contrary, Sweden has always taken a tough attitude to any suggestion that people should scrounge off the state and it has championed the work ethic in a vigorous way.

The country's monopolistic and government-run labour market system ensures that everybody has to register at the employment exchange, look actively for work and accept whatever "suitable" job is on offer when a vacancy occurs. Refusal to take up proposed employment can deprive a worker of an entitlement to benefits for failing the so-called work test.

But unlike in Britain, Sweden provides a comprehensive and publicly-funded training service for the labour market that ensures a relatively successful match of supply with demand. Up to 3 per cent of the country's workers are on some kind of off-the-job training at any one time, nearly twice the official unemployment figure.

During the past few months there has been a growing public debate in Sweden about what the labour market of the 1990s will be like and the problems it will pose for the health of the economy. The major problem is likely to be not the level of unemployment (estimates suggest this will be no more than 1.5 per cent registered jobless by 1995) but the acute labour shortages that are already threatening Sweden's capacity to grow.

Already 17 per cent of the population is over the age of 65 and the number of elderly people who will retire from working life is expected to rise sharply between now and the end of the century. At the same time, the number of youngsters looking for a job will decline. With a relatively low birth rate – nearly half of Sweden's families have only one child – and a much greater life expectancy than most other countries, Sweden is going to find its wealth creation and welfare dependent on the work of fewer and fewer people.

The Ministry of Labour warned in an important study published in March that there was a danger of a polarisation inside the labour market during the next decade with many workers whose training is inadequate to exploit the opportunities on the one hand and an unmet demand for skilled and adaptable workers in technologically-based employment on the other.

However, perhaps the main solution to Sweden's future labour shortage lies in the encouragement of more immigration into the country from the rest of western Europe, particularly as there is growing union pressure for a shortening of working time, which would increase rather than improve business costs.

If the government is serious about its intention of bringing the economy more into line with that of the European Community, one admirable way of demonstrating its good intentions would be to make it easier for foreigners to come to work in Sweden.

For much of the post-war period Sweden has been right to blow its own trumpet about its commitment to full employment and quick to criticise other European countries which have given a higher priority to other economic objectives like containing inflation. Now an open door immigration policy could both help to ease western Europe's unemployment crisis and resolve Sweden's own mounting labour market difficulties, if only Sweden's politicians had the courage to adopt it.

Robert Taylor

Swing of the pendulum

SWEDEN acquired an international reputation during the 1960s as a land of sexual permissiveness, but it is about time outsiders recognised the new realities, writes Robert Taylor.

A recent opinion poll of Sweden's young people, carried out by a leading survey organisation SIFO for the popular newspaper Aftonbladet, suggests that the pendulum has swung away from the swinging days of free love and personal liberation.

As many as two-thirds of the 16-to-23-year-old boys and girls polled thought that to marry and live with the same person for the rest of one's life was the best foundation for a happy life; only 20 per cent disagreed. Also, 61 per cent thought that both parents should not go out to work if they could not have time with their child.

Nowadays, the young value stability in their personal relations. Sixty-three per cent thought that the key factor in a relationship between a man and a woman was trust, while 18 per cent mentioned fidelity. Only 1 per cent believed that a good time in bed was the most important basis of a relationship.

The young are also very interested in having a job. As many as 38 per cent would like to work in the travel trade, while 23 per cent would like to be either civil engineers or journalists. Working in research, distribution and data consultancy also figured high among the favoured jobs. Many women wanted to be hairdressers, but quite a few said they would settle for being just housewives.

Aftonbladet suggested that the SIFO findings indicated that young people have repudiated the values and attitudes of the 1960s generation, most of whom are their parents. But the change should not be exaggerated. It is officially estimated that half the couples who live together in Sweden today are unmarried and half the children are born out of wedlock.

Moreover, 65 per cent of the sample disagreed with the assertion that the mother should take first responsibility for looking after her child. The main motivation for a job was not to make big money, but to have pleasant work and nice colleagues.

Young Swedes are not filled with gloom about the future. While 31 per cent thought there would be a third world war one day, as many as 58 per cent did not. Such findings suggest that there is a tolerant and sensible attitude among young Swedes that belies the sensationalist reporting of the past.

Profile: Kjell-Olof Feldt

The acceptable face of socialism

HE IS the key figure in his country's economic revival during the 1980s.

Indeed, there are many who believe that Mr Kjell-Olof Feldt, Sweden's 56-year-old Finance Minister, is the real power in the government, overshadowing the Prime Minister. "When he speaks all Sweden listens," declared the business magazine *Dagens Industri* recently.

An owlish, grey-haired man, Mr Feldt is acutely aware of his own brilliance and he does not suffer fools gladly.

Over the past few weeks he has aroused considerable controversy in Sweden, particularly inside the Social Democratic party, because of his aggressive and unrepentant defence of a pragmatic financial policy that has won the widespread admiration of employers and the banks.

There was public outrage on the left of his party and in the blue-collar trade union organisation, the LO, at his recent, personal decision to give the go-ahead to the purchase of Sweden's leading brokerage firm Carnegie Fondkommision by the state-owned PKbanken for SKr2.7bn ($456m).

What upset them was the fact that Carnegie was controlled by the financier Mr Eric Penser, the fifth richest Swede, who lives in tax exile in Belgium. They claimed it was "immoral and unethical" for a Social Democrat minister to do business with one of the country's leading capitalists. But Mr Feldt refused to be apologetic about it, arguing the PKbanken deal was "good for Sweden" as well as the bank.

Finance Minister Feldt: sensitive to private sector difficulties

His Cabinet colleagues tend to defer to his financial expertise. Even Mr Ingvar Carlsson appears to allow him considerable free rein. But then, Mr Feldt is the latest in a line of highly successful Social Democratic finance ministers, like Ernst Wigforss and Gunnar Strang, who have managed the Swedish economy since the 1930s with a good deal of finesse and lack of respect for rigid Socialist dogmas.

"We must not let ourselves become the anti-capitalist party," he declared some years ago. "Capitalism has many large problems but we have not got a wall-to-wall alternative."

His relations with the Swedish trade union movement have often proved difficult, mainly because Mr Feldt displays a much greater sensitivity than his opponents on the left to the difficulties facing the private sector. And when necessary, he has been ready to express his opposition to union wage demands which he felt to be excessive.

It is true that he went along with the controversial proposal to introduce wage earner funds to cream off some of the profits of Swedish industry, but he did so with little apparent enthusiasm, despite their advocacy by the all-powerful LO .

Divisions in the early 1980s over public sector spending with the LO leadership provoked what became known as the "war of the roses" inside the labour movement as the union bosses accused him of over-restrictive fiscal policies. However, Mr Feldt has been ready when he felt it advisable to bend to LO demands. The business community, for example, has been almost universally critical of his proposal to introduce the so-called "yuppy" tax, which is designed to appease union leaders who feel some of the recent antics on the money markets have been immoral.

Mr Feldt's admirers – like those of Professor Karl Schiller in West Germany during the late 1960s when he was finance minister in the Social Democratic coalition – tend to come from outside the ranks of his own party, among businessmen and bankers. Indeed, privately some of them admit they would be dismayed if Mr Feldt was no longer at the helm after the September general election, believing his professional competence cannot be matched by anybody else in the other non-Socialist parties.

Born in Holmsund in August 1931, Mr Feldt took a political science degree at Uppsala University, the Oxbridge of Sweden. His early career was spent in the civil service in the Ministry of Finance, where he rose to be under-secretary of state in 1967, a post he held for three years. In 1970 he was made minister and head of the Ministry of Commerce and Industry, after spending three years as chairman of the board of governors of the Bank of Sweden.

Mr Feldt entered Parliament for Kopparberg county in 1971, and he joined the executive of the Social Democratic party seven years later. When the Social Democrats were returned to office in September 1982, Olof Palme made Mr Feldt his Minister of Finance. That was a just reward for his efforts.

Perhaps more than any other Social Democrat, Mr Feldt had shaped the economic policy direction of the party during its six years out of power. It was he who devised the system known as the "third way," which upheld the traditional commitment to full employment and the welfare state but also determined to reduce Sweden's huge foreign debt through a tight fiscal strategy with curbs on public spending, restraint on consumer demand and a willingness to restructure Swedish industry to meet foreign competition through the removal of subsidies and the closure of uneconomic enterprises in sectors like shipbuilding, textiles and engineering.

Mr Feldt's 16 per cent devaluation of the krona in 1982 provided the necessary foundation for the country's economic recovery during the 1980s. In his budget statement earlier this year he could claim with some justification that his strategy had worked and the government had pulled Sweden out of its most serious economic crisis since the 1930s.

As he pointed out, between 1982 and 1987 the country's gross domestic product went up by 13 per cent, industrial production rose by 20 per cent, industrial investment by almost 60 per cent, the rate of inflation was halved and unemployment fell to below 2 per cent. Above all, the budget deficit was reduced from over 13 per cent of GDP to about 1 per cent.

Indeed, Mr Feldt seemed to have achieved what most other western finance ministers believed to be impossible in modern conditions – to establish full employment with a low level of inflation. Contrary, however, to the doubts of his left-wing opponents in the unions, Mr Feldt is not just a ruthless pragmatist with a flair for economics.

As he told the party congress last autumn: "A strong economy is not an end in itself but a necessary means to reach other goals – work for all, just redistribution, social stability and a good material living standard for the people. For us Social Democrats, the purpose of investment, growth and balance in the state's affairs is to enable as many people as possible to live a richer, safer and easier life."

But Mr Feldt is well aware that Sweden cannot pursue its own economic policies without much regard to what is happening in the rest of the world. Ever since 1967 he has taken an active part in the Organisation for Economic Co-operation and Development in Paris, where he now chairs the OECD finance ministers committee, though his economic views are not shared by most of his colleagues.

To many non-Socialist Swedes, Mr Feldt is the acceptable face of Social Democracy. He may have to take some difficult decisions over the next 12 months, which could upset the old guard in his party. Whether he has the stamina for introducing more restraint and confronting wage-push inflation if the Social Democrats achieve an election victory in the autumn, as he may have to do, is more uncertain.

But Mr Feldt has never been slow to fight his corner. And for all the sniping from the left, nobody inside the party denies his technical brilliance. In short – like it or not – the Social Democrats cannot thrive without Mr Feldt and both they and he know it.

Robert Taylor

Defence industry

Arms sale dilemma for neutralists

SWEDEN'S DEFENCE industry is enjoying an export boom, but threats by the government to tighten the country's already strict arms sales rules could spell tougher times ahead for the weapons manufacturers, who already face budget austerity at home.

The country's arms exports almost doubled last year to SKr3.2bn, with the increase largely due to initial deliveries of the Bofors Howitzer 77 155mm artillery ordered by India in a SKr8.4bn deal.

A traditional exporter of artillery, grenade launchers and small arms, Sweden last year won its first overseas order for submarines from Australia. The decision to purchase six Type 471 submarines from Kockums will yield the Swedish state-owned naval shipbuilding yard A$500m as part of the A$3.9bn contract. The vessels will be built in Australia by a consortium consisting of Kockums and several Australian industrial partners.

Bofors has also scored an export success with its RBS-70 portable anti-aircraft missile. It is the first such infantry weapon in the world to use laser guidance, making the missile impervious to electronic counter-measures. The company hopes to achieve similar sales with its Bill anti-tank missile which is designed to zero in on vulnerable tank turrets. Bill is now competing for an order from the US Defense Department.

But disclosures over the last few years that Bofors and state-owned FFV, Sweden's two largest arms exporters, engaged in arms smuggling over two decades from the mid-1960s, has forced the Social Democratic government to consider tougher arms sales rules that could reduce exports.

The Prime Minister recently warned that defence manufacturers must obey the country's arms export laws or face the possibility of a total ban on sales. Sweden now bars the sale of weapons to countries at war or in areas of conflict. Mr Carlsson claimed that illegal weapons deliveries to nations on the "black list" had damaged neutral Sweden's reputation as a supporter of international disarmament.

Although Mr Carlsson's threat has been dismissed by some as pre-election rhetoric, his remarks reflect the pressure the government has been put under by the ruling party's left wing to curtail arms exports.

Legislation was introduced this spring that will close some loopholes in arms export controls. Marketing activity by defence firms in prohibited regions will be banned, unless prior approval is given by the government. End-user certificates will be required for the export of military components. Countries found re-exporting Swedish-made arms to "black list" nations will be subject to an weapons embargo.

But any major curb in arms exports poses a dilemma for Sweden. Foreign sales are necessary to support the country's extensive arms industry, which was erected to bolster Sweden's neutral security policy. Sweden makes most major categories of military equipment, including supersonic combat aircraft, missiles and torpedoes, naval vessels and submarines, tanks and armoured personnel carriers, and defence electronic equipment.

Cuts in exports would force the government to pay a higher price for defence equipment. It would need drastically to boost defence spending, which has fallen in real terms in the past 20 years to 2.8 per cent of GNP.

Export limits would probably also cause some of Sweden's 10 major defence contractors, including Volvo, Saab-Scania, Ericsson and Svenska Philips, to reduce or abandon their military activity.

The aerospace sector illustrates some of the difficulties faced by Swedish defence firms. Sweden's single biggest military project is the SKr40bn development of the JAS 39 Gripen combat aircraft, which involves Saab-Scania as prime contractor with Volvo Flygmotor, Ericsson and FFV as subcontractors. Tied to a fixed-cost contract to deliver 30 aircraft to the Swedish Air Force with an option on another 110, the consortium has come under pressure to find foreign customers as the project threatens to exceed its stipulated budget.

But Sweden has never been particularly successful at selling its combat aircraft abroad. It failed to export Viggen, the JAS 39's costly predecessor. Mr Georg Karnsund, Saab's president, argues that the JAS 39 has a better chance. It is lighter than the Viggen and can perform intercept, attack and reconnaissance missions without the need for special variants. It is also designed to be easily maintained by conscript personnel.

Sales prospects are likely to dim, however, if the Swedish Air Force refuses to order a two-seat trainer version, due to budget austerity. The most likely buyers of the JAS 39, considered to be Austria, Denmark and Finland, have suggested they would drop consideration of the aircraft if a trainer version is not provided.

Saab's missile division, which is searching for a new research programme, wants to develop a first-generation "fire and forget" air-to-air missile for the JAS 39. It is proposing to co-operate with British Aerospace on developing an improved version of Skyflash so that would be followed by a Swedish-built missile with a greater range. The Swedish government is balking at its estimated SKr6bn price tag, while the British have expressed worries about the missile's export possibilities in the light of the Swedish government's tougher attitude on foreign arms sales.

A government-appointed independent panel, the Citizens' Commission on Arms Exports, concluded in May that Sweden must forthrightly pursue arms exports "when it is deemed necessary to ensure a requisite supply of equipment to the Swedish defence forces and when it is compatible with the principles and aims of Sweden's foreign policy."

It accused the government of having followed a contradictory arms sales policy in the past because of its refusal to acknowledge difficulty in reconciling its neutralist foreign policy with the need to export arms so as to support an independent defence capability.

The blue ribbon panel argued that the government should have confronted the arms export dilemma by telling the Swedish public "in a sufficiently forceful and open manner" about the necessity for arms exports.

Instead of stopping arms exports, an action described by the commission as "not compatible with Sweden's security policy interests," the government should strictly supervise current controls on arms sales in order to restore public faith.

John Burton

Industry

Exit the state, gradually

"BED PLUS pub, plus room, plus food, plus guard equals Procordia" read one of the puzzling advertising posters last autumn that obliquely explained the various business activities of the state-run conglomerate.

The publicity campaign heralded Procordia's bourse introduction, the biggest domestic share issue staged in Sweden. It was also the biggest step yet taken by the Social Democratic government to revive and streamline the state-owned business sector by opening it up to private investment and raising badly needed capital.

The government's gradual semi-privatisation programme and the market orientated-philosophy it has imposed on the running of its corporate holdings are part of its strategy to reduce the huge budget deficit it inherited from the 1976-82 period of non-socialist rule. Fearful of being blamed for causing unemployment, the non-socialist coalition pumped money into lame duck state concerns and nationalised the shipbuilding industry, piling up huge losses.

One of the first tasks undertaken by the Social Democrats after their return to power in 1982 was to overhaul the state sector. Unlike the British Labour Party, the Swedish Social Democrats have never been believers in nationalisation. Traditionally, they viewed state ownership as a temporary remedy to save employment in ailing industries. Public enterprises, including utilities, account for both 8.5 per cent of the national workforce and of industrial turnover, below the European average.

The centrepiece of the restructuring programme was to strip the state holding company, the Statsföretag, of its worst loss-making divisions – steel, mining and forestry products – in the hope of returning it to immediate profitability.

Renamed Procordia to distance it from the state, the company, under Mr Soren Gyll, its managing director, has concentrated on growth in the consumer product and services sectors while continuing to shed its remaining industrial assets, such as the sale of its Berol chemical division to Nobel Industries in March.

Fifteen major companies are now grouped under Procordia, Sweden's 16th largest company. They include the national tobacco monopoly (Svenska Tobaks), breweries (Pripps and Falcon), food and confectionery, hotels (Sara), restaurants, publishing (Liber), pharmaceuticals (KabiVitrum and Aco), and engineering (Kalmar Industries and Corindor).

Most of Procordia's profits, which reached SKr1.36bn on sales of Skr16.2bn in 1987, come from tobacco, beer and confectionery. But the company has nearly reached saturation point with these products in the slow-growing Swedish market.

Last year's decision to sell off 19 per cent of Procordia through the share issue, which raised SKr1.05bn, was designed to finance overseas acquisitions and expand activity in the company's pharmaceutical, hotel and restaurant operations.

In the last few years, Procordia has turned its attention abroad. In 1985, it become the world's largest producer of smokeless tobacco products with its purchase of Pinkerton Tobacco in the US. A year later, it bought Coventry Climax, the troubled UK forklift truck maker, through Kalmar Industries.

Procordia is likely to use the bulk of its new investment capital to launch its pharmaceuticals subsidiary KabiVitrum on the international market through European acquisitions. It will also fund the building of Sara's seventh US hotel in New York and support the chain's expansion into Asia, following the opening of a hotel in China last year.

Although the government can point to Procordia's success, its semi-privatisation programme has generated controversy from right and left.

The non-socialists charge that small private investors had scant chance to acquire Procordia's listed shares after the government reserved 20 per cent for employees and 56 per cent for institutional investors (primarily consisting of four major insurance and pension funds). The latter's guaranteed stake was the price that the government was forced to pay to persuade them to buy one-third of its troubled steel group, SSAB, in late 1986.

The government's decision last month to further dilute its stake in PKbanken, the country's third largest bank to 65 per cent provoked opposition from both the trade unions and ruling party's left wing. Although the furore centred on bank giving 20 per cent of its equity to Mr Erik Penser, a Swedish financier in return for acquiring his brokerage firm, Carnegie Fondkommission, the vehemence of the debate suggested that government's most active supporters believed that privatisation had gone far enough.

But the government appears determined to carry on with its strategy. It announced early this month that it intended to reduce its 70 per cent stake in the NCB forestry company to just over half its equity.

The question, though, is whether the state can attract private investment to the rest of its wholly-owned enterprises, some of which are in dire financial straits.

The government has been grooming its shipyard operations for semi-privatisation in early 1990s by phasing out unprofitable facilities. One sign of its determination to attract investment was the recent name change from Swedyards to Celsius Industries.

The state shows a marked preference for delving into the Latin dictionary to refurbish the image of its companies in the hope perhaps that they will imitate the success of Volvo. But that looks doubtful in this case. Celsius Industries was the second worst corporate performer in Sweden last year, losing SKr408m.

While the state forestry companies Assi and Domanverket registered profit growth based on strong worldwide demand last year for paper and pulp, LKAB, the state iron and ore mining company suffered Sweden's sharpest profit fall by SKr319m to SKr259m because of the weak dollar.

Chastened by their previous experience in power, the non-socialist parties now vow to privatise almost the entire state sector through share issues that would be directed at individual investors rather than the Social Democrats' preferred institutional partners, if they win office in September.

John Burton

Banks and insurance

Need to prepare for greater competition

"IMMORAL AND UNETHICAL" was how some of the diehards in the ruling Social Democratic Party and union movement described the decision by PKbanken, the state-controlled bank, to buy Carnegie, Sweden's leading stockbroking firm, which was part of financier Mr Erik Penser's empire.

The SKr2.7bn deal aroused such passions because Mr Penser – a tax exile and multi-millionaire who controls Sweden's scandal-ridden arms company Bofors – is the bogeyman of the left.

However, in Swedish business circles the deal was applauded as a sign that PKbanken, the third largest commercial bank, is adopting a more aggressive and expansive stance under the new management of Mr Christer Zetterberg, who joined the bank recently after a successful spell as managing director of Holmen, the forestry company.

With Carnegie, PKbanken hopes to boost its share in the brokerage market from 3 to 18 per cent. The deal should allow co-operation in financing, international business, new issues and company acquisitions.

For Swedish banks, the market has definitely become more competitive. The Carnegie deal was strategically vital for PKbanken because of competition from Skandinaviska Enskilda Banken and the Gota Group, as well as from the private stockbrokers who are competing for share business.

In the credit market, too, competition has become much tougher as a result of the deregulation of the early 1980s. The banks no longer enjoy such a sheltered atmosphere.

Today, customers have a greater freedom of choice when it comes to borrowing: they can turn to the money market, finance companies, mortgage institutions or banks.

The competition between the institutions, particularly for the large corporate customers who show less inclination to stand by their old banking allegiances, has led to depressed margins for the banks.

Because of the tougher competition, banks have been very aggressive in lending to new customers – and as the 1987 figures for credit losses revealed, many of them were not careful enough when it came to lending to small and medium-sized companies, which accounted for a substantial proportion of their credit losses.

There has been an explosion in terms of credit volume over the last two years and the banks now expect to witness a slowdown. Lending to households is showing signs of slowing this year, as this market is near saturation. Furthermore, the government introduced measures in the supplementary budget this spring aimed at curbing consumption and encouraging savings.

From a profits point of view, 1988 has started off well, as most of the banks showed increased interest income (due to higher volumes), lower increases in costs as wage and automation costs have started to tail off, and reduced credit losses now that managers have enforced stricter controls.

Full-year profits are expected to be good. In 1986, most of the commercial banks showed windfall profits due to deregulation and profit-taking on their bond portfolios.

For most, it was hard to surpass those results in 1987, and in the case of two banks – Gotabanken and Svenska Handelsbanken – profits took a terrible blow from losses on options and futures trading which largely resulted from inadequate management control.

These scandals have forced the banks and brokerages to sharpen their control over the use of new instruments and have led to suggestions from the Bank Inspection Board, the banking watchdog, that options should not be used as speculative instruments but only for risk control.

In terms of future strategy, though, the banks are becoming increasingly aware of developments in Europe in the run-up to the EC's internal market.

Most of those in the financial world expect the wave of banking mergers and acquisitions in Europe to continue, leading to the formation of large, cross-border mega-banks which will pose a serious threat to the Nordic banks.

This is one reason why the Gota Group (Sweden's fourth largest banking and financial services group which owns Gotabanken and controls Wermlandsbanken and Skaraborgsbanken) recently announced plans to form a Nordic banking and financial services group with Kansallis-Osake-Pankki (KOP), Finland's leading bank.

The two groups have agreed to a measure of cross-ownership through a holding company structure and will co-operate in retail, corporate and investment banking, and in data processing. The new grouping could expand to include Danish and Norwegian interests eventually.

KOP is expected to take a direct stake in Gota at a later stage. Although foreigners are not permitted to own shares in banks at present, the Credit Market Committee has already recommended that this should be allowed in future.

Although the Swedish banks can now set up branches overseas, it is obviously an expensive process and Gota's strategy of combining its overseas operations with KOP's geographically complementary network means that it can offer its customers trade financing in the major financial centres.

In the insurance sector, a similar effort to create a pan-Nordic grouping has taken place with Skandia, Sweden's leading insurance company, forging links in Finland and Denmark, although its efforts to take a shareholding in Vesta, the Norwegian insurance group, have so far been stymied.

Though the banks and insurance groups see the need to prepare well in advance for the increased competition the internal market will bring, they feel hampered by regulations and proposals at home.

So far, the committees appointed to study developments in the credit and insurance sector have tended to propose restrictions such as limits on the ownership of bank and insurance company shares, which the banks and insurance groups claim are totally out of line with developments in Europe.

This means that it would be very difficult to set up large financial services houses with banks and insurance companies under one roof. Many in the business community are worried by what they perceive as the old-fashioned mentality of those committees.

The government has yet to decide whether to follow these recommendations: there is still a chance that it may feel compelled to look instead at the developments taking place outside Sweden if it wants other Europeans to believe its sincerity when it talks of seeking as close co-operation as possible with the EC.

Sara Webb

The stock exchange floor in Stockholm: but turnover in some Swedish blue chips is higher in London

Stock market

Funds lift the index

THE STOCKHOLM stock market was one of the strongest performers in Europe at the start of 1988, boosted chiefly by the surplus liquidity, a generally strong set of corporate results from the export-oriented companies, and the relatively optimistic outlook on the economy in the short term.

One of the major factors buoying up the index is the fact that funds and institutions have so much surplus money to invest. The mutual funds have continued to attract money from small savers because of their tax advantages and this money has poured into the stock market.

The wage-earner funds – so despised by the business community because they are intended to give the unions more control over the companies – do not have to invest in the stock market, but have nevertheless continued to do so, helping to push the index still higher, though not quite within reach of its all-time high just before the October crash.

The insurance companies and pension funds have also contributed to the rise: the problem for the fund managers is that opportunities to invest overseas are still very limited.

Although the Riksbank (the central bank) has relaxed the rules for investing in foreign shares, this is being conducted step by step, in a very cautious manner.

The Riksbank is allowing up to SKr3bn to be invested in foreign shares during 1988 and a further SKr3bn next year – this compares with a total stock market capitalisation of over SKr500bn in Stockholm so the outflow into foreign shares is not expected to drain much from the domestic market.

Adding further fuel to the increase is the wave of takeovers that have taken place this spring including (in the forestry sector) Stora's SKr5.9bn bid for Swedish Match and MoDo's SKr6.1bn offer for outstanding shares in Holmen and Iggesund.

Nordstjernan, Sweden's largest privately owned company with interests in shipping, construction, steel, and real estate, bid SKr3.5bn for ABV, a domestic construction company, while Asea bid SKr1.74bn for outstanding shares in Flaekt, the air pollution control manufacturer.

Mr Kjell-Olof Feldt, the Finance Minister, has not looked favourably on this wave of merger and acquisition activity. He attempted to harness corporate liquidity in his supplementary budget with proposals for non-financial companies to place 15 per cent of their liquid funds into accounts at the central bank for a two-year period. The move will, in effect, freeze about SKr10bn of corporate funds – which will receive interest at below market rates.

The corporate results have given cause for optimism with strong improvements in 1987 and for the beginning of 1988 from the major industrial companies.

Volvo, the automotive and food group, showed a 26 per cent drop in the first quarter, due to the three-week-long strike this spring. However, most of the companies report good order books and are working at full capacity to meet demand. Worries over inflation have not been reflected in the stock market.

The sector which has shown the strongest performance is forestry, up 50 per cent since the start of the year. The main reason is the strong demand for pulp, which has led to price increases in the market and large increases in profits for the major forestry groups. The recent series of acquisitions among these groups has strengthened them considerably and means that they are better prepared should demand fall.

The major foreign investors, who pulled out of marginal markets such as Stockholm after the October stock market crash, were enticed back in the spring during the takeover wave. However, with the high turnover tax in Stockholm, foreign investors usually choose to buy the Swedish blue chips in London where transaction costs are about one-third of those in Stockholm.

Mr Bengt Ryden, chief executive of the Stockholm stock exchange, points out that Stockholm is no longer the "home market" for the major Swedish shares and that before the crash, turnover in the shares of companies like Electrolux, Ericsson and Volvo was higher in London than in Stockholm.

He has continually urged the government to cut the turnover tax in order to attract business back to Stockholm, but to no avail. Indeed, the government has announced plans to wide the turnover tax which from 1989 will cover money market instruments, options, and shares traded by brokers on their own account. Analysts have warned this will make it more expensive for small share owners.

Sara Webb

Tax reform

The bearers of the burden

STOCKHOLM'S 25-storey Tax House, headquarters for the regional tax authority, is one of the city's tallest buildings. Its looming concrete presence over the working-class district of Södermalm is a graphic reminder that Swedes live under the shadow of the world's heaviest tax burden, amounting to 51 per cent of GNP.

Despite its notoriety, the Swedish tax system explains why the country can successfully maintain both a vibrant corporate sector and an extensive social welfare system.

Companies are treated relatively generously as the source of the nation's prosperity. It is the steeply progressive rates paid by the individual, reflecting the Social Democratic government's equalitarian philosophy, that mainly supports the smörgasbord of social services. "The Social Democrats like rich companies, but not rich individuals," comments Mr Sven Wallgren, president of Esselte, the Swedish office supply product multinational.

This allocation of the tax burden is unlikely to be changed radically by forthcoming tax reform proposals. An overhaul of the tax system was first mooted 18 months ago by Mr Kjell-Olof Feldt, the Finance Minister, who talked of achieving the same goals as the 1986 US tax reform, including lower marginal rates, a simplified tax structure and fewer deductions.

Three special parliamentary commissions are now separately reviewing corporate, personal and indirect taxation, with their proposals due by the end of the year after September's general election.

Although details of the tax reform remain unclear, guidelines have already been established. These include halving the nominal corporate tax rate of 52 per cent to around 25 per cent. In practice, Swedish firms on average pay an effective tax rate of 15-20 per cent due to liberal deductions.

Companies, for example, can set aside up to half of their profits tax-free by placing them in a government-controlled corporate investment reserve fund, which is used to stimulate private investment in times of economic slowdown. Untaxed reserves for inventory and wages, liberal depreciation rules, and interest rate and dividend deductions offer further tax reliefs.

The steeply progressive national income tax rates have provoked most criticism. *It is argued that they discourage overtime and create a black economy*

The tax reform would eliminate or restrict these deductions in return for the lower corporate tax rate. Use of the reserves will probably be abolished or severely curtailed and tougher rules introduced for depreciation.

The Swedish private sector generally welcomes the reform. "It will correct some of the distorting effects of the current system, which favours debt financing, capital-intensive industries and the growing ownership of corporate holdings by insurance companies and tax-exempt institutions," says Mr Göran Normann, director of fiscal policy analysis at the Federation of Swedish Industries.

The federation believes the tax reform will promote a more efficient use of capital investment, encouraging the growth of high tech companies and smaller concerns. The introduction of a more equitable capital gains tax that does not penalise short-term investment, for example, is likely to stimulate the establishment of venture capital firms. The possible abolition of the reserves, which have financed major investments for heavy industrial companies, will increase their dependence on the stock market to raise capital and thus lead to a more thorough evaluation of projects.

But concern lingers within the private sector about whether the corporate tax rate will be lowered enough to compensate for the elimination of deductions. "There is always the risk that the government might raise corporate taxes to balance the reduction of personal taxes," Mr Normann explains.

Swedish executives have complained that the Social Democrats have taken a tougher attitude to corporate taxation since their return to power in 1982. The fiercest debate concerned the introduction in 1984 of a special profit tax to finance worker ownership of industry through the so-called wage earners' funds. The government has largely defused this issue by promising to phase out the profit tax in 1990.

But Swedish industry sees other worrying signs. A one-off 7 per cent tax was imposed last year on the total assets of insurance companies and pension funds to help pay for higher state pension outlays. It is now the subject of the largest class action suit ever filed before the European Court. The government has severely limited the use of the corporate investment reserve fund to environmental protection projects. This has reduced its appeal as a corporate tax haven.

National attention on tax reform has naturally focused on personal income tax. The average Swede pays close to 40 per cent in national and local income taxes with the top rate being 75 per cent. All income groups pay an average 30 per cent in local taxes that are used to finance the majority of social services. It is the steeply progressive national income tax rates that have provoked the most criticism.

The national rate starts at 5 per cent for those with an income of less than SKr80,000 and then climbs sharply upward with 20 per cent taxation for those earning up to SKr150,000, 34 per cent for incomes up to SKr200,000 and 45 per cent for incomes above that.

Critics argue that these spiralling rates discourage overtime work and have created one of the largest underground economies in Europe after Italy, amounting to 5-8 per cent of Sweden's GDP.

The emphasis of the tax reform is to replace the current system with three major tax brackets that would limit the national and local tax burden to 33 per cent for low income groups, 45 per cent for medium-size ones and 60 per cent for upper-income earners. This would be done at the cost of reducing basic allowances and other tax-deductible items, including interest payments on personal loans and insurance fees.

The government has warned that reductions in income taxation would be compensated for by a rise in the VAT rate, known in Sweden as MOMS, which is now applied at an uniform level of 23.46 per cent. Public resistance to a VAT increase is growing, however. Mr Feldt signalled late last month his willingness to consider the idea of a differential VAT rate that would impose a lower tax on basic items such as food and a higher tax on capital goods.

The issue of tax reform, particularly VAT, is complicated by Sweden's pledge to harmonise its relations with the EC. Some observers believe that the Swedish government's unwillingness to give up control over tax policy has played as much a role in its resistance to joining the EC as its publicly-stated concern over neutrality.

But the government will be forced to make concessions on tax policy if it is to fulfil its promises on EC harmonisation. High personal income tax rates could be considered a barrier to the free movement of labour, while Sweden would need drastically to reduce its VAT rates to the EC's recommended level of 4-9 per cent on food and 14-20 per cent on other items.

"The pressure on Sweden to align itself with developments within the EC will eventually result in a lower personal tax burden," says Mr Hans Söderberg, an economist with the Swedish Taxpayers' Association. But lower tax rates will pose a new challenge to the government in maintaining the high level of social services and perhaps lead to the growth of private alternative programmes.

John Burton

Forestry products account for 20 per cent of Sweden's export income

Forestry mergers

Smoother profits ride

THE FORESTRY sector has witnessed dramatic changes in the last few months with a series of strategic acquisitions and mergers among the most prominent players.

Two factors have spurred the restructuring: the need to move away from dependency on pulp which, with its volatile price swings, makes for a rocky profit ride and the realisation that Swedish companies must be large and strong in the EC market if they are to fend off competition from the North American giants in future.

Pulp prices tend to show cyclical patterns so the greater the dependence on pulp sales, the more volatile a forestry company's profit performance will be.

For the past two years, pulp prices have soared – a factor reflected in the forestry sector's strong profit increases in 1987 and so far this year.

Demand for pulp is expected to remain strong in 1988, and analysts expect prices to continue rising since very little extra capacity will come on line in the near future and few new mills are under construction.

However, success has not bred complacency and the Swedish groups have put their profits from pulp to good use in making key acquisitions. They are determined to move away from lower value volatile products such as pulp towards more stable, higher added value goods such as consumer products.

With the help of a diversified base, they feel they are better prepared for an eventual fall in pulp prices as the consumer products side would then provide a guaranteed market for pulp which would otherwise be sold on the open market.

Svenska Cellulosa (SCA) was perhaps the first to exploit this strategy of investing in consumer products with Mölnlycke, its tissue, consumer and hospital products division which it acquired in 1975.

Mölnlycke has shown sales growth of 19 per cent per annum, and a much faster profits growth rate than the traditional pulp and paper operations. It has also given the group more stability, perhaps because its consumers tend not to show wild fluctuations in the number of boxes of tissues they buy each year.

Mölnlycke's position as the European market leader in hygiene products was considerably strengthened in January by the acquisition of Peaudouce, the leading French disposable nappy producer, for FFr1.962bn. The deal will boost consumer product sales from SKr7.3bn in 1987 to about SKr11bn in 1988, SCA estimates.

The deal has also opened up new markets which SCA believes are ripe for development, for example Greece, and has strengthened its position in the EC with more marketing outlets.

With the advent of the internal market, and Sweden's outspoken reluctance to seek full membership, one of the worries is that Swedish companies could be accused of dumping if they sell products at a lower price to EC members than in their home market. One way to avoid such charges is by producing within the EC area.

When Stora, the leading European pulp and paper group, made its SKr5.9bn bid in March for Swedish Match, a conglomerate which is the world's leading match manufacturer, it drew parallels with SCA's acquisition of the Mölnlycke division.

The deal makes sense in that Stora can supply parts of Swedish Match – the doors, flooring and consumer products divisions – with timber and pulp while making use of Swedish Match's investment in the chemicals field when it comes to developing bleaching chemicals for the pulp side.

However, the SKr5.9bn agreed bid did not escape criticism. Both Stora and Swedish Match are controlled by Wallenberg family interests; after a number of problematical years, Swedish Match started to show the benefits of its restructuring and gave signs that profits in 1988 and 1989 would improve significantly – leading some to suggest that the takeover price of SKr5.9bn (admittedly the largest takeover bid in Swedish history) was too low.

Under the acquisitive eye of Mr Bo Berggren, chief executive, Stora has clinched three major deals in the 1980s, buying Billerud and Papyrus, two domestic forestry groups, before the Swedish Match deal. He has turned Stora, which this year celebrates its 700th anniversary, into a sizeable force, with annual turnover of SKr40bn. Stora alone accounts for one-fifth of Sweden's forestry exports.

MoDo, which for a long time was the most susceptible of the forestry groups to pulp price fluctuations, chose to build a broadly-based forestry group by bidding for outstanding shares in Holmen, which is Europe's leading newsprint producer, and Iggesund, a packaging and board producer, in deals totalling SKr6.1bn this spring.

Both newsprint and board have a higher added value than pulp, but not so much as consumer products – although MoDo has said it plans to develop this area as well. The new MoDo group will have an annual turnover of around SKr20bn.

The creation of bigger, stronger and more diversified forestry groups is intended to help stave off competition in the European market from the North American groups which have the weak dollar and lower production costs on their side.

Forestry exports play an important part in the Swedish economy. Sweden's forestry products account for 20 per cent of its export income. This sector exports 90 per cent of its market pulp, 75 per cent of its paper and board, and 75 per cent of its sawmill products.

The EC countries buy 75 per cent of these forestry exports – last year amounting to SKr38bn out of a total of SKr54bn. In order to maintain their strong position in that market, size is important, says Mr Berggren, since it leads to a better use of Stora's investment in R&D and capital intensive machinery.

With the present strong demand for pulp and full use of capacity in North America, the Swedes are not afraid that US and Canadian groups will be selling into the European market in the immediate future.

However, they realise that they could be threatened if demand in North America drops off. Because of the low dollar, the European market would then look very attractive. In the wake of these recent acquisitions, though, they feel better prepared for competition.

Sara Webb

The environment

All shades in Greens' clothes

THE IRRESISTIBLE rise of the Green Party in Sweden has, within a short space of time, forced the better-established politicians to bend over backwards in an attempt to out-Green each other and woo the environmental voter.

The ruling Social Democrats are extremely worried that the Greens could enter parliament after the next general election. Over the past months they have waged an active campaign to show their commitment to such Green issues as pollution control and the early phasing out of nuclear power – issues which, at least in the case of nuclear power, will have far-reaching consequences for sectors of Swedish industry.

The decision to close two of the country's 12 nuclear reactors in the mid-1990s is an indication of how far the Social Democrats are prepared to go to counter the Green threat.

According to the terms of the 1980 referendum, nuclear power (which today accounts for 50 per cent of electricity) would be phased out by the year 2010. But in the wake of the Chernobyl accident – which resulted in considerable radioactive fall-out on Sweden – the anti-nuclear lobby has gained a lot of ground, forcing the government to bring the closure programme forward by at least a decade.

For years, Swedish industry has enjoyed the benefits of cheap electricity. In the future, electricity-intensive industries, such as chemicals, pulp and paper, iron, aluminium and steel, expect their production costs to rise considerably as nuclear power is phased out (most probably to be replaced by natural gas or steam turbines, and energy conservation measures).

Electricity accounts for 12 to 25 per cent of production costs in these industries and the government says it will investigate the possibility of allowing subsidies.

Though the Social Democratic Party now stands firm on its nuclear policy, it is less convincing on other environmental issues.

Earlier this year, Mrs Birgitta Dahl, the Energy and Environment Minister, presented a series of proposals for dealing with air and water pollution (in particular, sulphur dioxide and nitric oxide emissions which cause acidification of lakes and damage forests through acid rain) and the destruction of the protective ozone layer by CFCs (chlorofluorocarbons). The key recommendations were as follows:

□ to further reduce sulphur dioxide emissions (the pulp and paper and manufacturing industries which burn fuel oil are the main source);
□ to cut nitric oxide emissions (mainly from traffic and fuel oils) by 30 per cent over 1990-95;
□ to reduce the output of chlorinated organic compounds (such as bleaching chemicals used in the pulp industry) by 60 per cent by 1992 (ie from 3.5kg per ton of pulp produced to 1.5kg);
□ to reduce the release of nutrient salts such as nitrogen and phosphorous salts from agriculture and industry by 50 per cent by the year 2000;
□ to cut the emission of heavy metals such as mercury and cadmium by 50 per cent by 1995 and
□ to phase out completely CFC (or freons which are used in plastic foam and cooling in refrigerators) by 1994. Their use in aerosols has been banned since the end of the 1970s in Sweden and companies such as Electrolux have said that they are looking at suitable alternatives.

Birgitta Dahl, the Energy and Environment Minister

The proposals failed to satisfy the ecology movement, though whether they will convince the voters remains to be seen.

"These proposals are just a lot of words produced in a hurry to neutralise the Greens," says Mr Bjorn Gillberg, who heads the politically-independent Environment Foundation in Uppsala.

Industrialists do not agree. The forestry industry estimates it will cost at least SKr1bn to reduce discharges of bleaching chemicals to the levels proposed. In future, companies will be obliged to present annual reports of what impact their operations have had on the environment.

Already, sulphur dioxide emissions in Sweden have been reduced by 70 per cent since 1970. "But it will cost billions of krona to cut sulphur dioxide and nitric oxide emissions back to acceptable levels in Sweden and several millions to phase out the use of freon," says Mr Gillberg.

Even though at least 60 per cent of the pollution in southern Sweden is estimated to come from abroad (chiefly from the UK, Poland and East Germany), control measures need to be strictly enforced in Sweden, he believes.

In fact, many environmentalists believe the government's recommendations will have no real effect unless passed as legislation, as in the case of car emissions.

From next year, all new cars sold in Sweden must be fitted with catalytic converters which reduce nitric oxide emissions by 90 per cent. This regulation will be extended to trucks and buses in the 1990s, although there are worries that Sweden could be accused by foreign motor groups of imposing trade barriers.

Mrs Dahl claims the government is not prepared to compromise on the environmental front.

Boliden, the mining and metals company, has already been forced drastically to reduce the sulphur dioxide and heavy metal emissions of its Roennskaer plant in northern Sweden by cutting production there at a cost of about SKr100m, although environmentalists claim it is still one of the worst offenders when it comes to the emission of heavy metals.

Boliden tried to win assurances from the government that it would not be hit by tighter pollution controls which "put it at a competitive disadvantage internationally." However, even Boliden's proposals to invest in new mining projects in northern Sweden, providing well-needed jobs in that region, apparently failed to secure such assurances.

Mrs Dahl believes that the onus is now on Swedish industry (in particular companies like Flaekt which make air cleaning equipment for factories and industrial plants) to develop new technology which will meet the demands for pollution control. "We can be at the forefront in this area – it is very likely that the rest of Europe will be forced to follow with stricter controls on pollution and then Swedish companies will be able to sell their technology in those markets," she says.

Sara Webb

Immigrant workers

Laying out the mat

SWEDEN HAS long had – and deserved – a reputation for being generous to political refugees, but it has been far less receptive to immigrant workers from outside the Nordic region who, it was felt, could steal the jobs that Swedes are capable of doing.

However, that could change: Sweden is now being forced to consider a more open policy towards immigrant workers in view of its acute shortage of labour.

Back in the 1950s and 1960s, Sweden accepted a wave of immigrant workers from the Mediterranean countries such as Turkey, Greece and Yugoslavia. However, in the 1970s, those applying to come to Sweden were mainly political refugees from South America and South-East Asia.

Last year, Sweden accepted about 36,000 immigrants. Of the 18,000 who applied for political asylum, 16,500 were given permission to stay. Most of them came from countries such as Iran, Chile, Ethiopia, Romania, Poland, Iraq and Lebanon.

In proportion to the total population, Sweden takes the highest number of refugees of any western European country. The state pays for their basic needs, education, training, schooling for children, and gives them free Swedish lessons, help in finding a job and free housing until they can *stand on their own feet*.

Some tax-payers resent this, especially when it turns out that not all the refugees are fleeing persecution but simply looking for a higher standard of living.

In the past, the local authorities have agreed to accept refugees and help find jobs for them. But last year, in the town of Sjöbo in Southern Sweden, the local council decided to hold a referendum in the autumn of 1988 on whether to accept refugees in their community.

The Sjöbo authorities claim they cannot afford to house the refugees and that there are no jobs for them, any way. The immigration authorities say that is clearly not the case and that Sjöbo's inhabitants are behaving xenophobically. The Sjöbo decision was condemned by one Foreign Ministry official as "a sign of ignorance and lack of understanding."

However, immigration officials are clearly worried that other local authorities could follow Sjöbo's example.

Ironically, at a time when the immigration authorities are supposed to be tightening up on which immigrants are accepted, Sweden could do with opening the doors wider to foreigners, and perhaps absorbing some of the EC's unemployed.

Swedish industry is hampered by a shortage of skilled and semi-skilled labour, particularly in the south. The motor industry has waged an active campaign to recruit more factory workers and other areas of industry have complained that were it not for the lack of labour, their production levels would be considerably higher.

The *government has said it* will devote more resources to job and language training for refugees, but it realises that many of those seeking political asylum previously held white-collar jobs and are therefore reluctant to switch to blue-collar work.

But as a recent report from the Federation of Swedish Industries has suggested, many of the 16m unemployed in the EC countries have the requisite skills for Sweden's manufacturing industry. It therefore urged the government to encourage and make it easier in future for EC country members to find work in Sweden.

Sara Webb

SECTION III

FINANCIAL TIMES

SURVEY

Progress has been made in tackling past serious economic imbalances; the bid to win control of the country's most prestigious company has been checked; and constitutional changes have finally been agreed. Yet the mood in Belgium is apprehensive. Tim Dickson explains

Marked sense of uncertainty

IN MANY ways Belgians can be well satisfied with the way things have gone so far in 1988.

In April, following a fiercely exciting four month struggle, the country's financial and business establishment firmly checked the bid by Mr Carlo De Benedetti to win control of their most prestigious company Société Générale de Belgique.

In May, after five months of frustrating and at times painful negotiations, the country's political leaders finally secured agreement on a plan for far-reaching devolution and constitutional change.

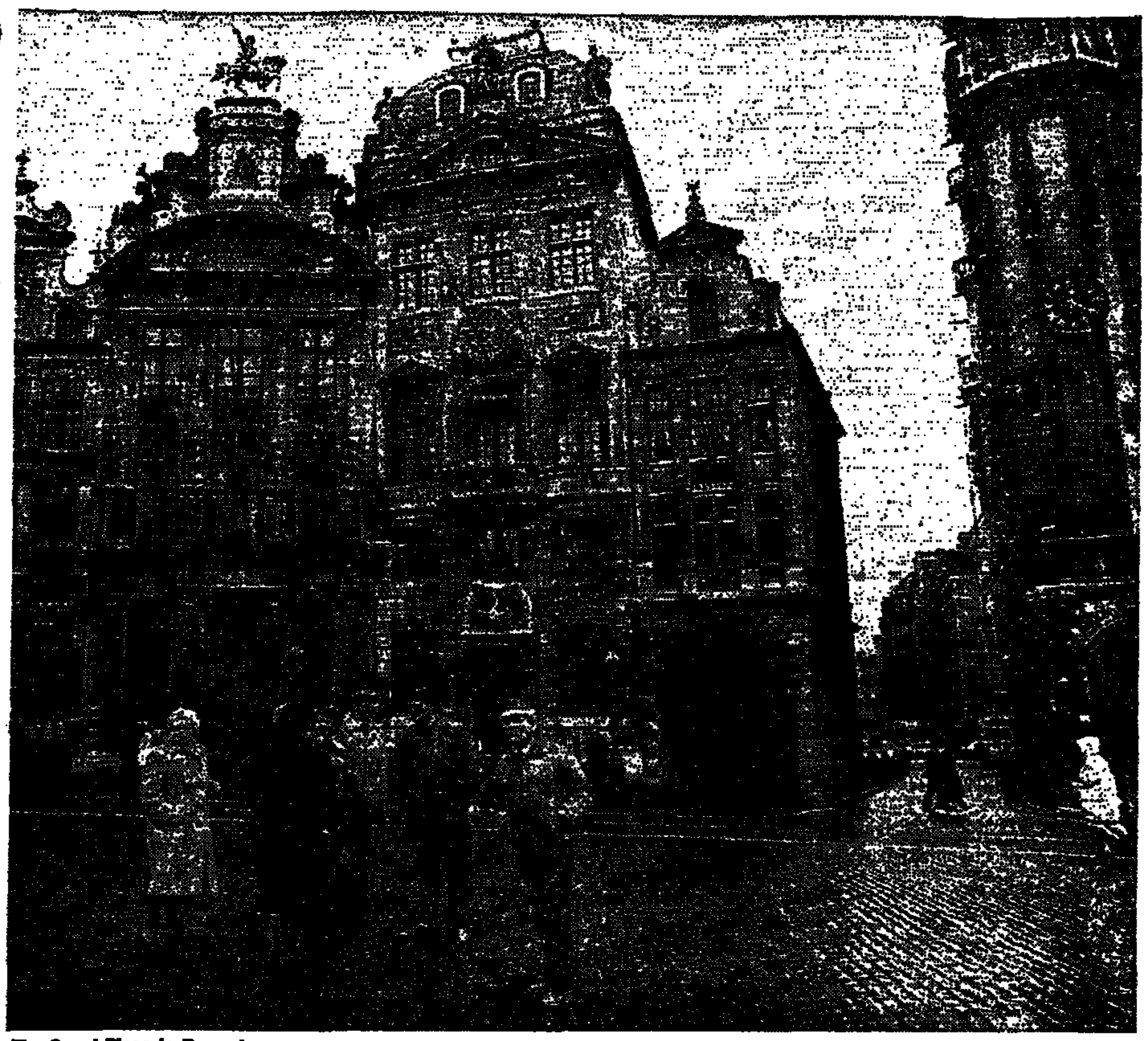
And in June, six months into a year which started with little in the way of good economic cheer, analysts and other crystal ball gazers were suddenly of the view that the country's short-term economic prospects were looking bright.

Notwithstanding these reassuring signs, however, there is a marked sense of apprehension and uncertainty in Belgium, both about the chosen political path being pursued by the new government and about the medium to long-term competitiveness of the underlying economy.

Many in Brussels, for example, are concerned that while the lurch towards federalism planned by the new coalition may be an inevitable consequence of the deep-rooted linguistic divisions between Flemings and Walloons and a necessary step along the road to greater political stability, the country is more than ever in danger of falling apart.

That may matter little, say some, if the trend in Europe towards a stronger regional policy continues – and national loyalties elsewhere start to loosen – but others worry that the so-called costs of "non-Belgium" (higher borrowing costs on international capital markets, for example) could prove a serious handicap in meeting the undoubted challenge of a unified European market.

This preoccupation with 1992 certainly lies at the heart of the economic debate. Has Belgium sufficiently regained its competitivness *vis-à-vis* its European partners after the oil shocks of the 1970s? Will a more open internal market help a country which has always lived on its exports to survive, or will it perhaps offer relative advantages to those states which have been less adept in the past at surmounting border controls and other barriers to trade.



The Grand Place in Brussels

If no one yet knows the answers to these questions, there is no denying the progress which has been made in tackling the serious economic imbalances of the late 1970s and early 1980s. Thus a balance of payments deficity of BFr200bn in 1981 has been turned into a healthy current account surplus (likely to be of the order of BFr100bn this year); inflation has been tamed to under 2 per cent; the budget deficit has been cut from 13-14 per cent of Gross National Product at the start of the decade to 8-9 per cent for this year and a targetted 7 per cent for 1989; the company sector's profitability and financial position has sharply improved, while even unemployment over the last couple of months has registered a significant fall.

BELGIUM

GNP growth is far from spectacular by comparison with some of Belgium's competitors but forecasts of 1.5 to 2 per cent for this year and 1989 (recently revised upwards on the strength of some positive noises from the central bank) are nevertheless encouraging indicators given the poor performances of recent years.

"If there is a slowdown in the world economy, Belgium is not in such a bad position," maintains Mr Peter Praet, chief economist at Générale de Banque. "The corporate sector's overall long-term debt to equity ratio and the household sector's debt to disposable income ratio have come right down and I am confident that the central bank will continue the strong currency policy for the Belgian franc."

As Mr Praet points out, however, the otherwise "business friendly" (bedrijvsvriendelijk) policies of the previous centre-right governments of Mr Wilfried Martens have only started to tackle the huge problem of Belgium's accumulated public sector debt (equivalent today to almost 130 per cent of GNP). The near BFr200bn of public sector cuts agreed in 1987 represented an impressive political achievement but they went nowhere near far enough in breaking the so-called "snowball effect" whereby extra government borrowing is needed just to keep up interest payments on the debt.

Budgetary affairs is one key area of economic policy which will be kept under close scrutiny as business leaders try to assess the priorities of Mr Wilfried Martens' new, centre-left coalition. The inclusion of the French and Flemish speaking Socialists (the PS and the SP) as well as the two middle of the road Christian Democrat parties (the CVP and the PSC) and the Flemish nationalist Volksunie has inevitably sparked off fears in some circles that the gains of the last six years are in danger of being thrown away.

A key test will be negotiations over the 1989 budget. Recent noises from the new Budget Minister Mr Hugo Schiltz suggest that he is determined to find the necessary cuts (around BFr80bn) to meet the government's commitment to a deficit of 7 per cent of GNP next year. On the other hand, his disclosure earlier this month that the 1988 deficit will be no lower than 8.5 per cent has disappointed some observers.

There is much talk, however, of the new "realism" which has crept into Socialist thinking since the party was last in power in 1981. The government programme specifically speaks of the international constraints on a small, open economy like Belgium and new legislation is planned which would enable the Government to intervene in certain circumstances to safeguard the country's competitiveness.

It is the challenge of the barrier-free market which highlights the need for improved efficiencies and is creating anxieties that if drastic action is not taken Belgium, relatively speaking, could be a loser come 1992. That would be ironic given Belgium's central role in the development of the EC and its experience in the "mini internal market" created by the 1958 Benelux Union – but few deny that the dangers are there.

One may be the lack of major companies able or willing to operate on a European scale (Petrofina and Solvay would rank among the notable exceptions), though Mr Praet is confident that small and medium-sized businesses (of which Belgium has many) will be strongly placed if they are prepared to make the necessary adjustments. Another, notwithstanding some valuable niche markets like billiard ball manufacture (where Belgium is the world leader), is the heavy emphasis in Belgium on low margin transformation of finished goods and the preponderance of traditional (if in some cases newly resurgent) industries. Metal working, chemicals, food and textiles are still the country's top four sectors in terms of contribution to GNP.

The potential threat post-1992 from low cost European competitors like Spain and Portugal is obvious. The competitive handicap of a top heavy public sector (a little less than 1m workers out of a total 4m active population), industrial subsidies equivalent to 5.5 per cent of GNP (of which 2.1 per cent per year go on railways and post) plus a philosophical distaste for privatisation, may well become more visible over the next five years.

The reaction to Mr De Benedetti's raid on and subsequently unsuccessful attempt to take over Société Générale de Belgique could be equally significant in this context. True, he and his cohorts at times displayed a cavalier disregard for Belgian sensibilities, understandably acute given the historic importance of the company in the country's industrial development and its pivotal influence over perhaps 20 to 30 per cent of the Belgian economy.

Privately, however, even the most crusty members of the Belgian establishment admit that "La Générale", as the company is affectionately known, is due for a major shake up.

Some sort of compromise between the Italian and the company's controlling shareholders led by Paris-based Compagnie Financière de Suez and the Belgian insurance concern Groupe AG still looks likely in the end –

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KEY FACTS

Population	9.9m
Area	30.5 sq km
GNP per capita	BFr520,600
GDP	BFr5,306bn
Trade	
Exports	BFr3,067.3bn
Imports	BFr3,065.2bn
Current account balance	BFr105bn
Structure of merchandise exports (% of total)	
Production goods	47.5
Equipment goods	17.1
Durable consumption goods	19.0
Non-durable consumption goods	15.9
Others	0.5
Structure of merchandise imports	
Production goods	48.3
Equipment goods	24.5
Durable consumption goods	11.2
Non-durable consumption goods	15.2
Others	0.8
Debt service as a percentage of GNP	10.6
Average annual growth rate %	1.7
Average annual rate of inflation	1.6

Devolution of power goes furthest on linguistic issues, reports **David Buchan**

Steady move towards a federal state

IF THE present government has its way, the Belgium of the 1990s will rank with the US, Switzerland, West Germany, Canada, Australia and other states of a genuinely federal nature.

Directly elected assemblies of the country's two linguistic communities, Dutch and French-speaking, and three regions, Flanders, Wallonia and Brussels, will take charge of education, culture, and most aspects of public transport and works, and environment. At their disposal will be 35-40 per cent of total public funds. The national legislature will be reformed to give the Senate the regional flavour which a second chamber usually has in a federal system. A constitutional court will rule on conflicts between local and national competences.

The spur *for all this is, of* course, the language division. Thus, devolution of power goes furthest on linguistic issues. According to the planned *reforms, Belgium will no longer* have a national education minister from next January. Instead, it will have two "community" education ministers.

But, even before the linguistic tensions of the post-war years, a high degree of decentralisation had developed in Belgium around the unit of the commune. The 589 communes (308 in Flanders, 262 in Wallonia, 19 in Brussels) are everyone's principal point of contact with the Belgian state. They are, with an often maddening degree of inconsistency and red tape, major setters of rules and providers of services. They perform tasks, such as issuing passports and driving licences, which in many, indeed most, other states are performed at the national level.

However, this number of communes could *in no way* correspond to the two-way (or three-way, if the small Germanophone community is included) linguistic divide. Potentially more useful *might* have been the country's nine provinces which predate the Belgian state's creation in 1830. Quite neatly, four of them lie in Flanders, four in Wallonia, and only one — Brabant — has a real mix because it surrounds bilingual Brussels.

But the provinces have never played much of a role, except in civil emergencies such as last year's Herald of Free Entreprise ferry disaster in Zeebrugge harbour. It was the provincial governor of West Flanders who then rallied the Belgian rescue effort.

The end of Belgium as a unitary state started in 1970 when, after the serious language riots of two years earlier, responsibility for culture (vaguely worded, but including radio and television) was divided up between a French and a Dutch-speaking community council. *But these councils had* neither money nor power. The 1980 reforms provided a partial remedy. They gave the community councils an executive. They *also created two new regional* assemblies and executives (for Flanders and Wallonia) with responsibility for local planning and environment. In all, about 8 per cent of the national budget was transferred to these regional or community bodies. "This was marginal," says Mr Jean-Luc Dehaene, the man responsible for negotiating the new government's formation. "But the very creation of these executives gave us something which we could use later."

The most striking thing about the new proposed reforms is simply the size of the financial transfer from national to regional/community hands. The fact that at 35-40 per cent, it is four to five times the 8 per cent transfer achieved in 1980 will have an enormous psychological impact, believes Professor Francis Delperée, a constitutional expert at Louvain-La-Neuve university. "You would now have to be blind not to realise that Belgium is *becoming a federal state," he* says.

The regional councils will get (in 1988 budget terms) some BFr90bn annually, to finance investment in, and operation of, public transport, public works and job creation programmes; some BFr70bn from the Fond des Communes (a revenue-sharing scheme); and the BFr62bn they were already getting in central government grants. The Community councils will get (again on 1988 figures) some BFr280bn in new money each year to fund education, plus the BFr72bn a year they were already receiving from central government. The grand total comes to nearly 40 per cent of the national budget.

The most striking thing about the proposed reforms is the size of the financial transfer

The major innovation, however, concerns how the money should be shared out between the regions. The previous key was a third land area, a third population and a third income. Wallonia *did relatively better out of this* because its relatively smaller and poorer population was spread over a relatively larger area. The new system will be based on regional collection of national income taxes.

This would, in theory, greatly benefit the richer Flemish who pay 58 per cent of all Belgian income tax, compared to 12 per cent for the Bruxellois and 30 per cent for Walloons. At present there is a substantial transfer of resources from Flanders to Wallonia (with Brussels more or less paying its way). For instance, public works spending is apportioned with 49 per cent going to Flanders, 17 per cent to Brussels, 34 per cent to Wallonia; capital investment goes 53 per cent to Flanders, 11 per cent to Brussels and 36 per cent to Wallonia; and the spread of the Fond des Communes is 53 per cent to Flanders, 7 per cent to Brussels and 40 per cent to *Wallonia*.

But in the interests of national solidarity, or what some Flemish-speakers refer to as "letting Wallonia down gently", there is to be a levelling payment out of the national budget. This will make up the difference between Wallonia's lower regional average payment per capita of national income tax and the higher national average. Flanders just about matches the national average, with Wallonia about 95 per cent and well-heeled Brussels 118-119 per cent.

This corrective will give the Walloons about BFr8bn extra a year than they were already getting, according to one of Mr Dehaene's team who worked all the sums out on a computer as part of the deal forming the new government. However, there are always swings and roundabouts in Belgian political compromises. Education is to be funded out of VAT receipts paid simply on the basis of the relative number of French speaking (43 per cent) and Flemish speaking (57 per cent) students. For cultural reasons the Flemish tend to finish their education earlier (often at technical schools) compared with the Walloons who have more university students. Thus, Flanders will probably actually gain from the new education-funding system to the tune of some BFr3bn a year.

Apart from finance, the second major achievement is the apparent agreement on Brussels. A regional council was agreed for Brussels in 1980, but never implemented. It is now agreed among the government coalition parties that Brussels should have the same representational structure as the country's two main regions — an elected assembly and executive. But, according to Mr Delperée, it will have to submit its legislation to review by the national government, in other words a limited home rule.

There are really only 8 out of the country's 589 communes where linguistic tensions frequently run high. Six are on the Flemish periphery of Brussels with substantial numbers of French-speakers (often foreigners). Their delicately-negotiated bilingual status has now been reconfirmed. The two others are the Fourons (predominantly francophone in Flemish Limburg) and Comines (with some Dutch speakers in francophone Hainault). Mr Dehaene's clever palliative here has been to maintain the existing regional boundaries, but to let people in these communes vote across linguistic frontiers for European and national elections.

At the national level, a linguistic balance now always prevails between the number of French and Flemish-speaking ministers in the cabinet, with the addition of the prime minister who is now (almost traditionally because of demography) a Fleming. But the government is pledged to reform parliament, so that the regional and community balance is properly reflected in the legislature, particularly the Senate. This body at present has a rather random composition with 106 directly-elected senators, 51 chosen by provincial councils, 26 chosen by the first two categories of senator, plus Crown Prince Albert.

All this reform may take time. But Mr Delperée believes they will all be put into operation — "if not today, then tomorrow, or in 10 years time". Belgium is *fated to go federal.*

David Buchan

Profile: Jean Luc Dehaene

Discreet power behind the marriage

Mr Dehaene: "Always thought Martens would be best"

IF THERE is one person who can claim credit for creating Belgium's new government, it is the workaholic, 48-year-old Mr Dehaene who, designated by the King as *formateur*, laboured for more than three months to put together the marriage that produced the five-party coalition.

He has, by no means, been denied all reward. He has the national ministerial portfolio of Communications and of Institutional Reform (on behalf of Belgium's Dutch-speakers), with the rank of Vice Prime Minister. This makes him one of the top five people in the new government, and the second ranking minister in the Flemish Christian Democrat CVP party, behind Mr Wilfried Martens himself.

But there *must* have been a point — as the chances of a five-party government slowly increased through the long spring of negotiations, but before Mr Martens, *declared himself* ready to take the helm again — when Mr Dehaene thought he was going to get the job himself.

He does not deny that outright, but says: "I never worked with the aim of becoming prime minister. I always thought Martens would be the best, though I was not always certain he would take the job again."

If Mr Martens were sometime to step down definitively, would Mr Dehaene like to assume the Martens mantle? "We'll see," he says.

This sort of discretion stood him in good stead when, on January 22, he took over the negotiations to create a new government, after last December's elections had broken up the previous centre-right coalition presided over by Mr Martens. He claims he knew from the outset that the coalition talks would be unusually prolonged, though not necessarily that they would last nearly five months — a record hiatus between Belgian governments.

For a start, the December poll showed different regional trends — the left gaining in Wallonia, but the right gaining in Flanders at the expense of the centre. This divergence reinforced the need for further regional devolution of power. But the requirement for a *two-thirds majority* to pass constitutional reform made inclusion of the Socialists (both Dutch- and French-speaking) vital. However, personal contacts by the CVP, *and its francophone sister the* PSC, had withered to nothing during the Socialists' long (1981-87) exclusion from power, Mr Dehaene claims.

This was not surprising, he says, given "the lack of structured relations between government and opposition in Belgium, compared with what you have in Britain". Belgian governments are always coalitions, and up to 1981 they were unstable coalitions, which made it risky to maintain any links with the opposition. Even during the relatively stable post-1981 period, the cold shouldering of the opposition continued, Mr Dehaene says, partly because many in the CVP, including Mr Martens, had found their pre-1981 partnership with the Socialists an unhappy experience.

Mr Dehaene was clearly the right man to re-forge links with the left. He readily confesses to being on the left of the CVP, with strong ties to the christian trade unions and with six years (1981-87) service as social affairs minister.

In the coalition negotiations, "everyone was surprised that we made such progress on the constitutional front," he says. He himself admits to "two miracles". One was agreement on how the new competences, chiefly education, to be transfered to the regions should be financed.

This was the most difficult technically. But, with the help of a personal computer, Mr Dehaene *succeeded* in persuading the French-speakers that relying purely on central government grants would not benefit them in the end; and his fellow Flemish-*speakers that, in every federal* system in the world, there was some element of redistribution, and that in Belgium it would be unfair for richer Flanders and poorer Wallonia to pay local services purely out of local taxes.

The second "miracle" was realisation by all concerned that the time was ripe for a deal on Brus*sels, the capital city that has* roughly four French-speakers to every Flemish-speaker.

It took, Mr Dehaene claims, the recession of the early 1980s, *which Flanders weathered better* than any other region of the country, for the Bruxellois to realise that their city could not stand apart.

David Buchan

Profile: Philippe Moureaux

Political tactician

Mr Moureaux: Brussels man

WHEN FIVE months of hard political bargaining between Belgium's major parties finally paved the way for a government accord last month, most commentators assumed that Mr Guy Spitaels, a solemn sociology professor, would emerge as the leading Socialist personality in Mr Wilfried Martens' new team.

In the event, however, it was a 49-year-old Professor of Modern History, Mr Philippe Moureaux, who was sworn in as the vice Prime Minister for the Parti Socialiste (PS), as well as taking on responsibility for the Brussels region and (on the Francophone side) the key challenge of institutional reform.

Mr Spitaels, who struggled in vain to form a coalition as the *King's first formateur* earlier in the year, chose to remain President of the PS in an effort to maintain the fragile unity of a divided party.

Mr Moureaux, *a skilled orator* who is noted as a keen political tactician, enjoyed a long ministerial career in the 1970s before becoming Minister of the Interior *and Institutional Reform in Mr* Martens' third coalition in 1980. He switched to Minister of Justice in Mr Martens' fourth coalition and the short-lived government of *Mr Mark Eyskens* in 1981, was Minister President of the Executive of the French Community from 1981 to 1985 and again from February to May this year.

A leading activist in Brussels during the student uprising of 1968, Mr Moureaux leans towards the left of the party and has a strong following on the militant Francophone and socialist wing, observers say.

"The essential task of the new government is to make a decisive step along the road to federalism," he maintains, referring to the plans for transferring further powers to the regional authorities. "As a Brussels man, I also see a chance to give the capital the true status of a region, with its own autonomous powers and adequate financial resources."

Mr Moureaux points out that the five-party coalition — easily assured of a simple majority in Parliament — should be an "element of stability" in pursuing the government's economic policies but that "it is hard to see how the government can do its job properly without the two-thirds majority needed for the proposed constitutional reform."

He believes that, if put into practice, the institutional reforms will be "a very strong advance on what was achieved in 1980" and will leave Belgium with "a truly federalist structure." But he warns that "there is never an end to the process" and that the new arrangements for Voeren (or Les *Fourons) and other mixed* language communes on the periphery of Brussels "still pose a series of problems."

Nevertheless, Mr Moureaux *maintains that antagonisms* between Flemish and Francophone "used to be much worse 15 years ago" and that "it is now more possible for us to work together."

On economic policy Mr Moureaux says that the Socialists have "a much more modernist image" than when they last held power in the early 1980s. "You can't avoid the international constraints, the European Community and the internal market programme for 1992," he points out. He compares his particular brand of Belgian socialism with the Fabius/Rocard variety in neighbouring France.

As a small country surrounded by *bigger nations, Belgium can* be "under no illusions" but he would like to encourage "a selective expansion of the economy, very measured, a small step on the *accelerator*."

Mr Moureaux says he is fundamentally opposed to privatisation — but that the public services must be modernised.

Tim Dickson

Uncertainty

Continued from page one

but a more important trend may be the way in which other publicly-quoted companies (the chemical groups Solvay and UCB and the supermarket group GB-Inno-BM) have introduced "poison pill" share issues unashamedly designed to deter predators.

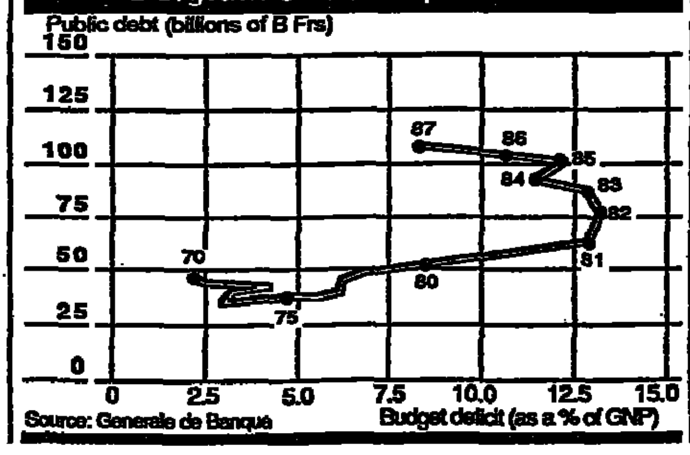
"*This has been a big disappointment for the Stock Market,*" observes Mr Andre Beier of stockbrokers Dewaay. "In February everybody was looking for the next story, hoping that companies would use Belgium as one of the last areas of financial freedom to build up their strategies for 1992. But it hasn't happened."

Just as the political parties were too preoccupied by their own discussions to play a significant part in the Société Générale affair, so the new coalition looks destined to concentrate most of its energies on pushing through the next stage of political de-centralisation.

The optimists hope that implementation of the plans to make education a regional responsibility, and to put 35 to 40 per cent of public funds at the disposal of the regional authorities, will defuse the tensions between the two communities, prolong the life of governments (on average just 16 months since 1920), and end the situation where the mayor of a small Flemish commune (Mr Jose Happart) is almost as internationally renowned as the country's Prime Minister.

The problem of Voeren (or Les Fourons), which finally brought Mr Martens' last coalition to its knees last October, has still not been fully resolved but with Mr Happart's Socialist supporters now in government (and thus less inclined than before to use him as a source of political instability) the chances that Belgium will now be able to present a more positive image to the world are greatly enhanced.

Belgium's debt problems



Source: Generale de Banque

Profile: Anne-Marie Lizin

Frontiers to cross

ALL EC states have a minister with some sort of responsibility for European affairs, but only Belgium has gone so far as to designate formally a Minister for 1992.

She is Anne-Marie Lizin, and her post is attached to the Foreign Trade Ministry. This Socialist mayor of the Walloon town of Huy, and former Euro-MP, now has the task of launching Belgium into a Europe without frontiers.

In fact, crossing frontiers is something of a speciality of Mrs Lizin's. She is best known in Belgium for her celebrated escapade in 1986, when she travelled to Algeria under a false name (Belgian mayors issue passports) to intervene in what the British popular press calls a "tug-of-love" case.

An Algerian father had taken his children out of Belgium and away from their Belgian mother, as he had the right to do under Islamic law, but not under Belgian. The Lizin intervention helped to create better child custody arrangements between Algeria, and Belgium and France, and Mrs Lizin now claims good relations with the Algerian government.

There are other *frontiers* — of the delicate departmental kind — to be negotiated in the creation of any 1992 ministerial post. Cynics might say it was only created to give one more job to the Socialists. Certainly, Mr Leo Tindemans is less than thrilled to cede his foreign ministry's traditional role in co-ordinating European policy to an outsider. At present it is the responsibility of Mr Paul De Keersmaeker, who doubles as minister for EC affairs as well for agriculture; but he retains an organisational link with the foreign ministry.

Creation of a 1992 portfolio would lead to turf-battles in any government, and there is a special reason why Belgium could use a trouble-shooter. Further devolution of power on to the regions — to which the Martens government is committed — will require new ways of co-ordinating the Belgian position in the EC. For instance, certain aspects of education, such as mutual recognition of diplomas, are now matters of EC competence. But after January 1989 there will be only regional (or community), not national, ministers for education in Belgium. So the 1992 Minister might help to co-ordinate the education dossier at the EC level, Mrs Lizin suggests.

Ms Lizin: 1992 hopes

However, after helping to co-ordinate Belgian positions on, and implementation of, the endless series of EC regulations, she sees *her main job as informing* and reassuring the Belgian public, industry and unions about 1992.

Despite Belgium's central geographical position in the EC internal market and extensive exposure to international competition already, many Belgians do worry. Mr Carlo De Benedetti's decision to dub his takeover vehicle for Société Générale "1992" has probably not helped.

The Lizin message, particularly to the small and medium-sized companies, is that, for the most part, they have little to fear and much *to hope for from 1992.* But they have to take the plunge and find foreign market niches or partners wherever possible.

David Buchan

Set fair for next couple of years

VOLUME INCREASE/DECREASE (%) FOR LEADING INDICATORS*	1987			1988			1989		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Private consumption	2.3	2.0	2.6	1.8	1.4	2.0	1.7	0.6	2.0
Public consumption	-1.1	-2.0	-0.3	0.0	-0.5	0.6	0.3	-0.5	0.9
Net capital formation	6.0	4.9	6.4	4.3	3.2	5.2	3.0	-2.8	-5.0
of which companies	7.5	6.9	9.0	5.3	3.0	6.0	3.1	-5.0	6.0
public sector	-3.0	-6.3	0.0	0.0	-5.6	2.5	1.4	-2.0	4.0
households	4.0	3.0	5.4	5.4	3.0	9.5	3.4	1.0	5.5
Exports	4.3	3.8	3.6	3.6	3.0	4.5	3.4	1.5	4.4
Imports	5.2	4.4	4.0	4.0	3.0	5.1	3.9	3.5	4.7
GNP	1.8	1.5	1.7	1.7	1.4	2.1	1.5	0.4	2.0
Inflation	1.6	1.6	1.4	1.4	1.0	1.7	1.9	1.5	2.3
Employment	0.4	0.1	0.6	0.6	0.1	1.2	0.4	0.1	1.2
Current account surplus**	99.6	90.0	104.	104	80	120.5	106.7	90	132

*Estimates from leading Belgian forecasters. **Belgium and Luxembourg, BFrbn

GROWTH MAY slow just a little this year and in 1989 – but unless the US acts more quickly than expected to tackle its budget and trade deficits, the outlook for the Belgian economy looks reasonably promising until 1990.

With just one exception that seems to be the broad consensus of the Forecasting club of Belgium – their last month's predictions are summarised in the accompanying table. This shows the average estimate of each of the 11 members of the group (IMF; OECD; European Community; Bureau du Plan; Dulbea; Belgian Economic Affairs Ministry; Kredietbank; Banque Bruxelles Lambert; Banque Générale; Banquie Paribas; and the Belgian National Bank) as well as the highs and lows for each key indicator.

Most interest recently has centred on the likely Gross National Product for 1988, forecasts for which have been revised upwards after the central bank's own estimate was surprisingly revealed in the spring. Observers in Brussels believe that this may presage a more open policy from what has hitherto been a highly secretive, closed institution, though some say that the information was deliberately leaked to show that the budget cutting measures of the last few years had not necessarily depressed the economy and the intention was to influence the delicate negotiations at the time between the would-be coalition partners.

Interestingly, most forecasters were also unduly pessimistic about 1987 and had pencilled in growth rates of less than 1 per cent at an earlier stage last year.

Other encouraging signs for the next couple of years are the rate of inflation, expected to remain around the 1.5 per cent mark for this year and next; the slight increase in employment which, coupled with the marginally lower growth rates suggests a modest improvement in productivity; and a current account balance in the region of BFr100bn.

With imports and exports in Belgium equivalent to 68 per cent of GNP much will depend on the international situation. The forecasters are reckoning that world trade will grow around 5 per cent in 1987/88, and between 4.25 per cent and 4.5 per cent in 1989; Belgium's export markets will have grown between 5 and 8 per cent last year, but will only advance by 4 to 6 per cent and 3 to 5.5 per cent in 1988 and 1989 respectively, the Belgian currency will fall from BFr37 to the US$ in 1987 to BFr34.8 in 1988 and to BFr33.5 in 1989, and the oil price will dip from an average US$18 a barrel last year to US$17 this year and next.

Tim Dickson

Labour

Flexible times

IN WHAT could be seen as a sort of backhanded compliment, Belgium's laws on flexible working were attacked at last month's conference of European trade unions in Sweden as being too generous to employers.

Major multinational companies certainly concede that the possibilities for weekend working/night shifts and seasonal patterns of production are among the most attractive in Europe. Pioneered by the then minister of labour Mr Michel Hansenne in late 1982, the number of experiments at plant level expanded steadily and culminated in a central agreement between employers and trade unions in mid-1986 (translated into new legislation in March last year).

It is still too early to quantify the effect of this measure – indeed the take-off of the new law appears to have been slow – but economists consider that it is an important weapon in improving Belgium's competitivity and countering the relatively high social security and other costs of employing labour. Some even consider that job flexibility could be playing a part in the marked fall in unemployment which has been a feature of the last few months.

Altogether there have been three initiatives over the last six years. Mr Hansenne's project exempted from the normal rules companies that wished to introduce weekend work (previously forbidden except on "technical" grounds), night work, or longer shifts on certain days. According to Mr Arnout De Koster, social department adviser of the Federation des Entreprises de Belgique (FEB), the opportunity was take up by 66 businesses which had to show that employment at their plants would increase. Mr Koster's figures indicate increases in the workforce of companies in the metal, chemicals, wood and food sectors of the order of 6 to 7 per cent.

The next law (in 1985) covered seasonal working, permitting a flexibile working week of up to 45 hours without overtime payments (compared with the normal legal limit of 40 hours), provided that the extra hours were compensated later. Around 100 companies in 10 industries are believed to have taken advantage of these provisions.

The 1987 legislation – which is much broader-ranging than anything hitherto – allows Sunday and bank holiday working under any circumstances, nightwork (exclusively for men), and up to a 12-hour working day without any weekly limit, provided that the average working week, as determined by the law or local collective agreement, is respected over a 13-week period.

Mr Robert Wauters, Director of Human and Social Relations at the leading flat glass producer Glaverbel, says one of the key advantages of the new legislation is that deals can be struck between companies and unions without any authorisation from the government. Glaverbel has used all three schemes, introducing the 1982 provisions on weekend working in its automobile glass department (90 new jobs were created immediately and 193 were added between 1983 and 1986), seasonal working in its double glazing division (where jobs were consequently protected), and four 10-hour shifts Monday to Thursday under the 1987 legislation for employees in its development department.

Seasonal work on the double glazing side, says Mr Wauters, has been a key weapon in attacking Glaverbel's previously high costs and poor service which was allowing small, family-owned businesses in Benelux to increase their share of the market. "We told our unions that there were two solutions – either we reduce this activity or, with the help of more flexible working, we attack the small companies."

Trade union reaction to the schemes has been mixed – there have been reports of a certain amount of soul searching inside the instinctively more sympathetic Christian union – but Mr Wauters insists that the secret lies in dealing with plants on a case-by-case basis (a couple of negotiations at industry level have recently failed) and that there must be a clear economic justification which is clearly explained. "If it is genuine the workers will understand," he says.

Mr Wauters believes that both the Socialist and Christian Unions are now "quite positive" in negotiations – they realise international competition is a reality – and that it is the employers who too often "lack imagination".

Tim Dickson

Belgian businesses have moved fast to plug gaps in their defences

Final chapter to be written

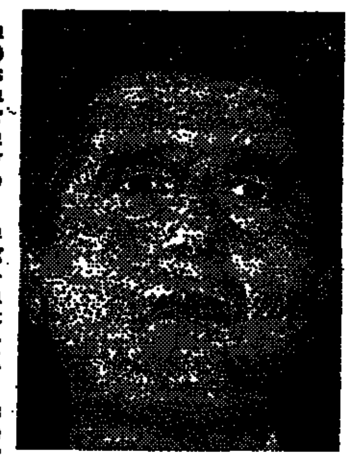
SHORTLY AFTER midday, on an otherwise unexceptional Monday in mid January, Mr Rene Lamy, Governor of Société Générale de Belgique, calmly announced that Mr Carlo De Benedetti had built up an 18.6 per cent stake in Belgium's most powerful and prestigious business institution.

No one then (least of all an initially complacent Mr Lamy) could have predicted that this was just the opening shot of a furious three-month takeover struggle which had European investors – and a good many other spectators – clinging to the edges of their seats.

Money, power and hard won prestige were flung into the ring with a recklessness defying normal commercial logic, turning a traditionally sleepy Stock Market into the sort of bloody battleground which at times made Wall Street look tame.

With Mr De Benedetti and his followers still knocking at the door, despite the cold shoulder treatment they received from the majority shareholder camp at April's extraordinary general meeting, the final chapter to the story has not been written. But the wider effects on Belgium are already starting to become clear.

Perhaps most important is a growing national paranoia about outside domination and control. Until the agreed bid for Belgium's prized chocolate maker Cote d'Or by the Swiss food group, Jacobs Suchard, early last year, foreign takeovers in Belgium were relatively unknown.



Mr Carlo De Benedetti

The hostile assault on the country's Number Two insurance group, Royale Belge, by Paris-based Axa caused considerable alarm later in the year, until the French intruder was safely seen off by a combination of Groupe Bruxelles Lambert (GBL) and (ironically) another French insurance concern Union des Assurances de Paris (UAP).

But this was nothing beside the sheer boldness of Mr De Benedetti's bid for La Générale and (as the Belgian business and financial establishment saw it) the Italian's unwillingness to take Belgian sensitivities into account, and guarantee an "ancrage Belge" (Belgian anchor).

It was not just Mr De Benedetti, however, who appears to have misjudged this deep-rooted chauvinism and who underestimated the protectionist sentiments in a country widely considered to be politically weak and lacking any real national identity. Most analysts and commentators in Brussels thought that the De Benedetti operation (successful or unsuccessful) would focus attention on the openness of the economy and the lack of takeover legislation; thereby paving the way for a spate of other bids, as European companies took their cue and chose Belgium as a launch pad for their 1992 ambitions.

Such predictions, however, appear to have been misplaced since Belgian businesses themselves have moved quickly over the last couple of months to plug the more obvious gaps in their defences. The most interesting examples are the chemicals companies Solvay and UCB and the leading supermarket group GB-Inno-BM, which have made "poison pill" convertible bond issues with warrants to be exercised only in the event of an unfriendly approach.

In GB-Inno's case the issue is equivalent to 20 per cent of the shares (representing a 16.7 per cent dilution after the exercise of the warrants), UCB's is equivalent to 50 per cent of its share capital (33 per cent after exercise), while Solvay's "armoury" amounts to 33 per cent of existing equity, or 24 per cent after exercise.

Other Belgian companies such as Delhaize have increased their authorised but unused capital in what have been widely seen as precautionary moves to fend off unwelcome predators, while friends of Petrofina, Belgium's biggest company, are thought to have been bolstering their stake through purchases in the share market.

As one leading analyst put it, however, "the bond issues are the neatest solution – they are simple, legally clear, and can be triggered without resorting to authorised capital".

A clue to the thinking of Solvay, which would already seem well protected through the 24.5 per cent family-controlled holding of Solvac and the additional 25 per cent known to be in the hands of the family, was provided by Baron Daniel Janssen, chairman of the executive committee of the company at last month's seminar in Brussels organised by stockbrokers, Peterbroeck-Van Campenhout (Petercam). After several generations, he explained, the family gets more and more extended. "Some members may need money to buy a chalet in Switzerland ... you can never be sure that they will stay with existing shareholders".

The use of "poison pills" was strongly criticised at a separate seminar on takeovers last month by both Mr Jean Peterbroeck, President of the Stock Exchange Commission and by Mr Robert Witterwulghe, a leading academic specialist in the subject at the Catholic University of Louvain. On the same occasion, Mr Philippe Maystadt, formerly Belgium's Economics Minister and Minister of Finance in the new Government, indicated that the authorities would have to consider the whole question of takeover legislation.

Mr Wilfried Martens, the Prime Minister, has said that a law requiring companies to disclose share stakes above a certain size, will be brought forward ahead of the summer recess but so far no details have been disclosed.

As yet, the future for Société Générale de Belgique itself is far from clear. The shoot out at April's EGM between Mr De Benedetti, on the one hand, and the rival Franco-Belgian camp led by Compagnie Financière de Suez of Paris and Groupe AG, on the other, has been followed by a period of no doubt deceptive calm, with strategic decisions awaiting the arrival of the new chief executive.

Whatever happens it looks as though some companies in the Société Générale portfolio – there are more than 1,200, many effectively controlled with small minority stakes – are going to pursue a more independent line and rely less on strategic guidance and financial backing from La Générale's headquarters. The closer link established between Générale de Banque and Amro Bank of the Netherlands earlier in the year may not be an isolated example.

Meanwhile, given the high price paid for SGB shares during the battle, analysts are certain that the company will be forced to sell off parts of its straggling business to bolster the returns to the new owners. This has provided the only bit of speculative froth for the Stock Market, with the holding company Sofina and the shipping group CMB among those to have been mentioned.

TD

William Dawkins focuses on Antwerp

Port city of diamonds and high technology

ANTWERP, Belgium's main port city, prides itself as the dominant symbol of the shift of prosperity from the French-speaking southern half of the country to the Flemish north.

In many ways the symbol fits amply, though that is not to say that this highly cosmopolitan city is without its political, financial and even ethnic challenges. Traditionally, Antwerp's economic power as provider of a quarter of Belgium's exports and just over a tenth of its Gross National Product has derived from three sources.

First is the port, Europe's second largest after Rotterdam, though it beats its bulk-orientated Dutch rival as a handler of general and container cargo.

The port provides 80,000 jobs, representing well over half of local employment and output, if all the service and local manufacturing activities associated with it are taken into account. These include multinationals such as General Motors, which has its main European plant at the quayside, and its neighbours Ford Tractor, and the chemical operations of BASF, Bayer, Monsanto and Solvay among others.

Second is the diamond trading exchange and the 1,500 small cutting and polishing companies clustered around it, which together buy, process and sell some 85 per cent of the world's rough diamonds, representing a turnover of $8.7bn last year.

To those two legs now can be added a third; the 25 or so small high-technology companies that have emerged around the city in recent years, some to service local manufacturing industries. An example is Telindus, the data communications company which three years ago became the first to join the Brussels junior stock market.

If their stars are in the ascendant, the same cannot be said of the biggest in the constellation, Bell Telephone, for long the city's largest single corporate employer. It is now in the process of shedding a quarter of its 8,000-strong workforce under the twin pressure of government spending constraints and the deregulation of the telecommunications equipment industry.

Nevertheless, Antwerp's excellent road, rail and canal links

Usefully for 1992, Antwerp has a sound industrial base as well as excellent road, rail and canal links with the rest of Europe

with the rest of Europe and its big industrial base mean that the city's leading figures are optimistic about the future, particularly for the role it could play as a handler of trade in the European Community's progress towards a free single market in 1992.

Mr Bob Cools, the Antwerp's Socialist mayor, is expecting a surge of investment by distribution companies in the next few years. He is also negotiating to attract "a very important Japanese car company" to occupy a plant now being vacated by General Motors, which is concentrating its Antwerp production in one factory.

"If you want to be in the business of distributing products or ideas, then Antwerp is very well placed to reach the heart of the Common Market," he says.

Mr Raymond Lhonneux, chairman of the Chamber of Commerce, adds: "We are Belgium's window to the outside world." Among the regional incentives for investors on land around the port he cites three to five-year tax holidays, 15 to 25 per cent reductions on long-term leases (the city authorities prefer not to sell freehold) and capital grants, depending on the nature and size of the business.

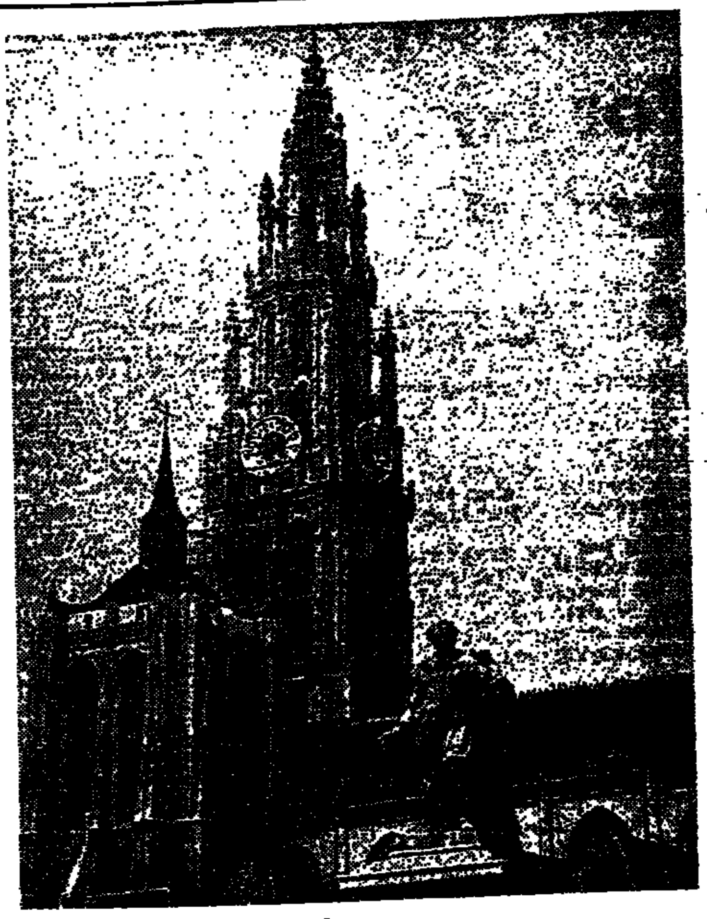
Yet beneath the optimism, the city has its challenges. The diamond industry is struggling to maintain its competitiveness against often subsidised cutting and polishing industries in low-wage South East Asian countries, and there is the impact of the declining dollar, in which gems are priced. "It is not easy when we pay our suppliers in cash and sell on credit, often with no collateral," says Mr Abraham Fischler, president of the diamond exchange.

While the Antwerp diamond trade's total turnover jumped by nearly 24 per cent last year, prices are still struggling to make up the ground lost in the diamond crash that followed a speculative boom in 1980.

"Unlike the flourishing trade . . . the industry went through hard times," says the latest annual report of the Diamond High Council, the industry's representative body. Accordingly, the council has been negotiating with the government for the past three years for a plan to safeguard small diamond polishing companies, including possible cuts in employers' social security contributions and longer working hours to bring costs more in line with overseas competition.

If the diamond industry is preoccupied about the costs of doing business, Mayor Cools is deeply worried for similar reasons about depopulation of the city centre and the consequent erosion of the city authorities' tax base.

More than 10,000 of Antwerp's just under 500,000 inhabitants, mostly prosperous professionals,



Antwerp: Our Lady's Cathedral

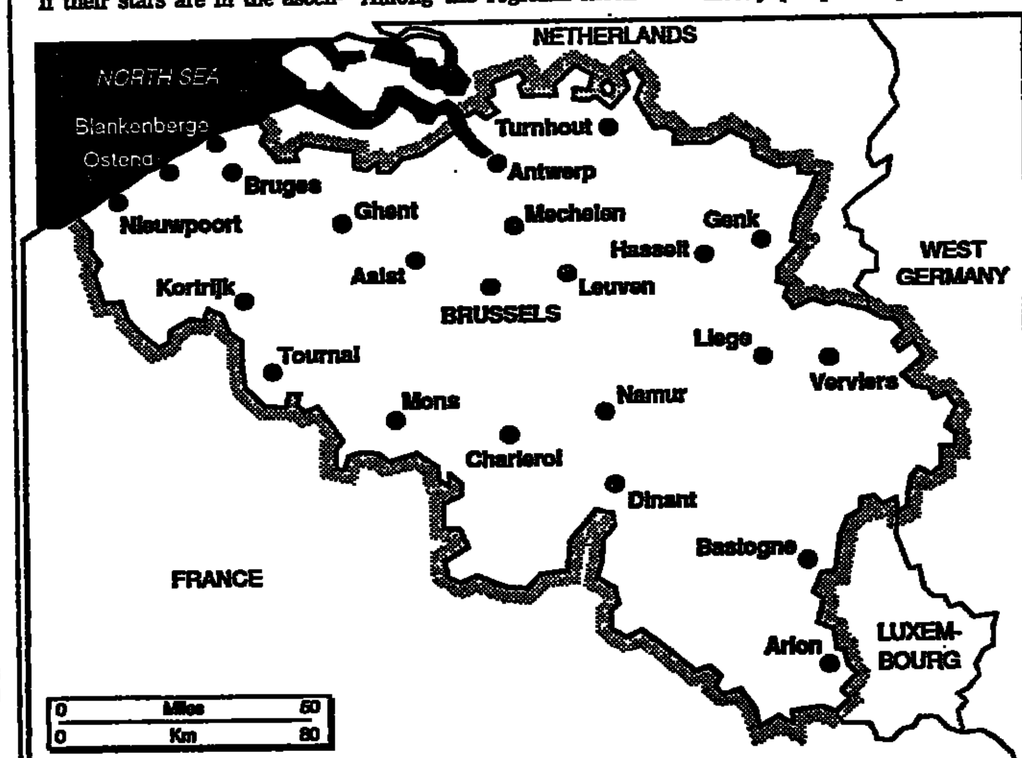
have moved out of the city in the past three years to take advantage of the lower, sometimes non-existent, local taxes in neighbouring dormitory towns such as Zwindrecht or Brasschaat.

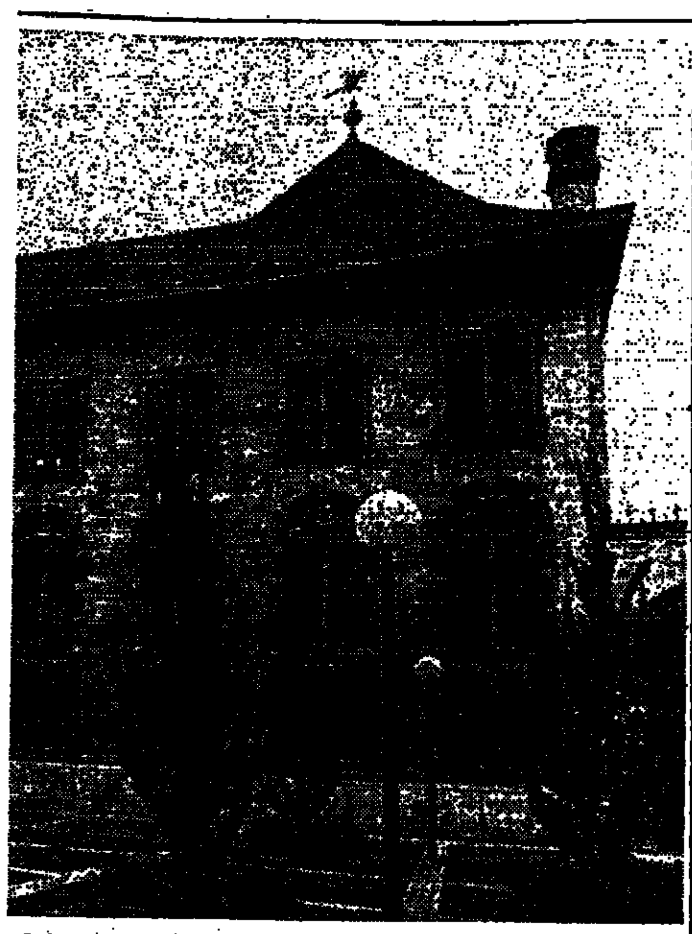
Local authorities are allowed to charge a premium above national income tax rates to fund local infrastructure and services. While Mr Cools did engineer a small cut in local taxes recently, from 9 to 8 per cent, that is still a significant extra burden for an individual whose average income tax rate is already 47 per cent.

Mr Cools has been lobbying national government for a solution on and off throughout his five and a half years as mayor. Having made a major effort to reform the budget in the early years of his administration, the last thing Mr Cools wants is to see the benefits of his reforms undone by the emigration of rich taxpayers.

"We feel it's unfair for people to hide away in towns like that so that they pay less in taxes," he adds. The answer, he argues, is to assess individuals' tax liability on their place of work, rather than where they live - a change he estimates would automatically add BFr2bn to the city's BFr30bn budget income.

So far the efforts of Mr Cools and his counterparts in far more financially-troubled cities such as Liège and Gent have been fruitless. The only glimmer of hope on the horizon is that Belgium's new government has included proposals – as yet undefined – to improve the cities' financial situation in its official list of priorities.





Antwerp home of painter Peter Paul Rubens

Antwerp's docks

Building for growth

THE YEAR 1992 is very much on the mind of Antwerp's business community these days. The reason is the 80kms of docks and moorings sprawling along the River Schelde, dwarfing the town at the port's southernmost extremity.

For Antwerp is Europe's second-largest port after Rotterdam for all kinds of cargoes and its largest for general non-bulk traffic. As such, the city's cargo handling, transport and service industries should be supremely well placed to take advantage of the extra international trade which is expected to result from the European Community's plan for a barrier-free internal market by the end of 1992.

Yet the port's ambitions to open new docking areas for 1992 are being blocked by a complex political wrangle with the Netherlands which has a border that nearly touches the harbour's northern edge.

Currently the port handles between 80m and 90m tonnes of cargo a year, about 40 per cent of which is general cargo-container traffic and small loads from kiwi fruit to chemicals, an area in which Antwerp specialises. Its main rival, Rotterdam, which specialises in oil and bulk cargo, handles about five times Antwerp's volume.

While the Belgian port is unlikely to catch up with Rotterdam, it is planning for steady growth in the years ahead and plans to capitalise on its good international links and highly-developed customs clearance systems in the run-up to 1992. It is within 350km – a day's drive – of 100m consumers served by a web of motorways converging on Antwerp, has a canal link to the Rhine and a railway terminal offering 12 international lines. It is the largest rail port in Europe.

To cope with the expansion it expects, Antwerp is building a new terminal to handle 600,000 containers annually by April 1990 at a cost of BFr3.5bn. It is also constructing what will be the biggest sea lock in the world, due to open next May.

But beyond that there is no room for physical expansion on the Schelde's west bank, where the bulk of the port's activities are situated. So the city has turned its attention to the east bank, where it aims, the Dutch government permitting, to dig a canal from the heart of the port area to the Schelde estuary across the border.

"Any work needs Dutch authority, but unfortunately any improvement can be seen as competition with Rotterdam," says Mr Bob Cools, Antwerp's mayor.

Officially, the Dutch government says it will give permission if Belgium improves the water quality of the Schelde and of the Meuse, inland to the east. But unfortunately for Antwerp, the upper reaches of the Meuse are in French-speaking Wallonia and regional authorities there do not see why they should pay for environmental improvements that will benefit only the Dutch and an already prosperous city in rival Flanders.

It may be a small snag in Europe's drive to create a free internal market, but it is becoming an increasingly sensitive issue in Belgian-Dutch relations.

William Dawkins

Liège has suffered from a poor labour record

An unfair handicap

THE STORY of Cuivre et Zinc sums up the problem and the opportunity.

Forced to close its doors after one of the most bitter, protracted and widely-publicised strikes in Belgium in recent times, part of this Liège based company was recently bought out by Boliden of Sweden and promptly brought back into production with about 200 of the workers who had lost their jobs.

"It really is a sign of hope," says Mr Andre La Croix of the Liège-based Sociéte Provinciale d'Industrialisation (SPI), a local industrial development organisation. "If the situation on the spot was really as bad as is sometimes made out, a group like Boliden, which goes into this sort of thing with great care, would not have made the investment."

Things in Liège have been undeniably bad in the last 10 years as the westernmost city in Belgium has been dragged down by the weight of its traditional manufacturing industry (steel, coal and engineering), unemployment has rocketed to well above the national average, and the regional provincial authorities have struggled to find dynamic new industries.

Worst of all, perhaps, the area's poor labour relations record has saddled Liège with an image in Europe and worldwide which has overshadowed its deserved and hard-earned reputation for technical manufacturing skills. "When my boss, or national politicians, go to the United States or Japan they usually get an enthusiastic response about Belgium – well-positioned in the centre of Europe, good productivity, et cetera. But too often they are told by people who have never set foot in the country that they don't even want to consider Liège or other cities with bad publicity in Wallonia," bemoans one local businessman.

He is not alone in thinking that this is an unfair handicap. Although it cannot yet be said that a recovery is in full swing, there are growing signs that the city, celebrated among other things as the birthplace of composer Cesar Franck and Inspector Maigret author Georges Simenon, is fighting back.

Official statistics are not available but there is no doubt that while higher than the national average, the number of strikes has dropped dramatically; the area's two biggest and most depressed employers – the giant steel group Cockerill Sambre and the world famous armaments manufacturer Fabrique National – look like breaking even in 1988 after years of heavy losses and tens of thousands of redundancies; and the conscious and energetic drive to find new high technology companies to replace the declining industrial base now appears to be paying off.

"Small companies hold the most promise for the future," observes Mr La Croix. "In some sophisticated technologies we now have a core of businesses, notably in electronics, which has developed out of our traditional strength in metal fabrication, but also biotechnology, chemical conversion, and space-related activities."

The technical skills of Liège workers are widely renowned

A recent article in the magazine Le Vif Express pointed out that one third of all the Belgian companies involved in space technology is located in Liège province, including IAL Space (Institut Astrophysique Liègeois) which does work for Nasa and the European Space Agency. Hybritech, a subsidiary of the US multinational Eli Lilly, set up in Liège six years ago, started its European activities on the University of Liège campus and illustrates the catalytic effect which this institution has had in generating new economic development. Gilliam, a growing company of 30 to 40 people, has attracted attention in the telecommunications sector.

Notwithstanding its poor industrial relations image, Liège can justly boast a number of assets. Unlike many steel towns, the city offers an attractive working environment (it is not black and grimy), enjoys good communications (motorways in seven directions), is situated close to the West German and Dutch borders (thus inspiring a particularly European mentality among its citizens) and is the centre of the regional government.

The widely-renowned technical skills of Liège workers are enthusiastically admired by Mr Robert Sauvage, spokesman for the troubled arms and aeronautics company Fabrique National Herstal (FN). "They have gold in their hands," says Mr Sauvauge lyrically. "When they want to work they do it perfectly. Liège has been a centre of armaments and mechanical engineering for 400 years because of the iron which was found along the Meuse valley. "It is a long tradition. Some of our people are third-generation armaments worker and it is really in the blood."

FN, which has a workforce that is likely to be down from around 9,000 at the beginning of the 1980s to 5,700 at the end of the year, is proof that a turnround can also be achieved in larger companies. Although the company reported losses in Belgium of BFr1.8bn on turnover of BFr14.9bn in 1987, FN says that its position improved markedly in the second half of last year and earlier this month indicated that it hopes to break even for 1988.

Part of the improvement seems to stem from a fundamental management reorganisation, which has seen the group split into three largely decentralised divisions: Browning and its subsidiaries; FN Moteurs and its activities in the space and aeronautical sectors; and (not yet in place) defence and security interests.

The drive for new businesses, however, remains the region's priority and hopes for a boost to the region are being pinned on the TGV (high speed train) going through the city.

Besides SPI, which has specialised in business parks and premises but does not provide capital, local economic development is encouraged by Meusinvest (a joint public/private sector institution which selectively backs small companies), the business innovation centre Socran (which offers subsidised advice) and the Société Regional d'Investissements de Wallonie (SRIW), through which the Walloon regional government makes equity investments.

Incentives (depending on the location within Liège province) include grants (which are particularly generous for R&D), a so-called "reconversion" scheme which enables a company to buy back part of its capital, and T Zone privileges, which provide exemption from corporation tax for 10 years but which have not proved particularly popular because access to other incentives, such as the R&D grants, are excluded.

Tim Dickson

Cultural diversity

History of cosmopolitan influences

BELGIUM'S ASTONISHINGLY diverse cultural scene is dominated, many would say enriched, by two facts of history – the country's regional and linguistic divide, and its position as one of the most invaded countries in Europe.

The split between the 57 per cent of the country who speak Flemish in the north and the 42 per cent who speak French in the south, not to mention the one per cent of German speaking Belgians in the east, is expressed as deeply in the nation's culture as in politics. The roots of these divisions go back a long way, well before the 1830 Brussels revolution in which Belgium won independence from the Netherlands. For centuries, the region has been bombarded by cosmopolitan influences, having been occupied by the Romans, French, Spanish, Austrians, Dutch and Germans – a multi-cultural history which makes Brussels a more than suitable host for most of the European Community's institutions.

To cite just a few examples of the diversity of the nation's cultural heritage, Belgium boasts the spectacular 15th century Dutch town of Brugge, just a couple of hours north of one of the finest Romanesque cathedrals in northern Europe, Tournai. Drive north-east and there is Brussels' splendid gothic town hall, with the art nouveau town houses of Victor Horta, scattered through the suburbs. It has a painting tradition that runs from the early 15th century, when the miniaturists, the Limbourg brothers, created the Très Riches Heures du duc de Berry, through Rogier Van de Weyden, to the Brueghels, Rubens and Van Dyck. In the 20th century, there is Ostend-born James Ensor, whose sinister style is part of the quirky tradition continued by the surrealists Reñe Magritte and Paul Delvaux. In the written word, Belgium can claim Liège-born Georges Simenon, the creator of Inspector Maigret, Herge, who bought Tintin into the world in 1929 and Jacques Brel, the author-cum-singer.

Belgians are sensitive to suggestions that their modern cultural assets are being run down, exemplified sharply by the national outcry provoked by last year's decision by Maurice Bejart to move his internationally-renowed Ballet of the 20th century to Lausanne in Switzerland. It was the culmination of a series of rows over funding with Mr Gerard Mortier, the controversial director of the newly-revived Monnaie opera house. It meant the loss of a genius who had kept the Belgian ballet scene at the centre of the world stage for 27 years and led to a storm of recrimination.

Nobody doubts that Mr Bejart's departure was a great loss, but the Monnaie itself is building a growing European reputation, especially for Mozart opera, where it attracts regular audiences from as far afield as Paris. And in contemporary dance, the Brussels-based Kaaiteater, run by Hugo De Greef, Belgium's leading modern ballet impresario, is carving out a reputation among the cognoscenti for hosting successful new companies like the Rosas dance co-operative.

Another controversial issue has been the sale abroad last year of many of Magritte's better paintings and his most important letters and personal memorabilia. This was a result of a dispute between the painters relatives and the tax authorities following his widow's death in 1986. The government offered to accept the most valuable works in place of death duties, but the relatives feared that would erode the value at auction of the rest and so decided to sell the full collection. Luckily Magritte's widow had already left his 10 best paintings to the state, though that had been whittled down from a more generous figure after a row between the widow and the Brussels Museum of Modern Art, where they now hang next to a fuller collection of the works of Delvaux.

On the musical front, Belgium has an historically lower profile, claiming the 19th century Liège-born composer Cesar Franck and his contemporary, Peter Benoit of Antwerp, creator of a distinctive Flemish school of music, as its best known figures. Yet classical music is where the country's present day cultural activities are especially strong. Both the northern Flemish and southern Wallonian regional executives run busy music festivals in several of their main towns from the early summer to autumn. Traditionally, the Flanders festival is the largest and is best known for its early music, the content of a series of concerts in July and August in Bruges. The Wallonian equivalent, while smaller, has a broader programme.

Details from Festival of Flanders, Eugeen Flageyplein 18, B-1050 Brussels, tel 02 648 1484; or Festival of Wallonia, Rue des Brasseurs 175, 5000 Namur, tel 081 22 27 00.

William Dawkins

Tim Dickson on the textile industry

Material well-being

LA ROUTE du Tapis . . There may not be a street sign but that is how locals often refer to the motorway from Antwerp to Lille in northern France.

The name "carpet road" reflects not only the large concentration of textile firms in the Flanders region but also the overall importance of the sector to the Belgian economy.

In terms of contribution to gross national product, it occupies *fourth place, after metal* manufacture, food, and chemicals. Including clothing manufacture, it employs 97,500 people, or 12.5 per cent of the industrial workforce.

Its 3,300 manufacturing units (2,050 specialise in clothes) represent 13 per cent of all factories. And the BFr80bn of added value earned by the sector is equivalent to 7.5 per cent of total added value for Belgian manufacturing industry.

In many ways, textile companies in Belgium mirror the structure of the wider economy. The vast majority are small- to medium-sized, family controlled and heavily export-oriented (80 per cent of sales go abroad, four-fifths of these to outlets elsewhere in the EC).

They cover a wide range of products – from household textiles, like carpets and furniture coverings, to clothes and industrial products – and boast a number of well known names such as Beaulieu (in carpets), UCO (cotton yarns and jeans) and Dewitter Lietaer (auto textiles and household linen). The last two are quoted on the Brussels bourse.

Belgium's textile sector prospered mightily until 1973, but over the next two years it suffered from a failure to invest during the prosperous years, from cheap garment imports from Asia, and from Belgium's deteriorating overall competitive economic position.

Thanks largely to the government's *"Textile Plan"*, introduced in 1981, the sector is currently enjoying better times. This five-year programme provided financial support in the form of non-voting capital and subsidised loans, backing for research and development, and other commercial activities, and help with the costs of re-training and redeployment personnel.

Private investment over the last five to six years has averaged BFr11bn to BFr12bn (BFr14bn in 1987), compared with around BFr5bn at the end of the 1970s and at the start of the 1980s; employment has levelled out after the shake-out of the previous decade; and, as Kredietbank's analyst confirms, "the sector is now in quite a competitive situation".

According to Mr Luc Santens, President of Febeltex, the industry *association*, Belgian textile firms are well placed to confront the challenges of the internal European market; but he is nevertheless concerned on several fronts.

On a European scale, Febeltex, while denying that it is protectionist, is anxious to maintain quota limitations on imports from low-wage competitors. Closer to home, however, it is clearly apprehensive about the government's continuing commitment to budgetary support, and is lobbying hard for an increase in the BFr1bn that has been set aside for interest rate subsidies in 1988. Given the high rate of investment – and the high level of real interest rates – Febeltex officials say that BFr2.5bn is required.

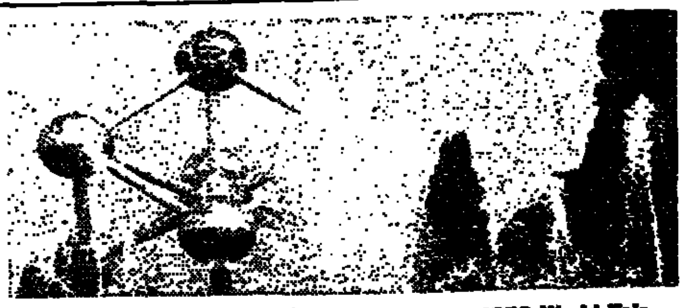
Ideally, the association would like to replace the current system *of subsidies with fiscal incentives, which it claims* would not only be simpler but would direct resources towards the strongest profit-making concerns.

The prospect of a Europe without barriers is not likely to transform the textile industry, *according to observers in Belgium.* There is little internal market protection, virtually no technical standards that inhibit free trade, and little public-sector business that is likely to offer a lucrative new opportunity in the event of more open public-sector procurement policies.

In this respect, the Belgian army uniform contract is sometimes cited, but nobody seriously expects that this is going to be manufactured elsewhere.

Belgian companies expect to benefit from speedier delivery times if Value Added Tax can be harmonised and customs formalities kept to a minimum. A question is whether the threat of more competition will lead to concentration of a highly fragmented sector (as has happened in the UK and France, for example), or whether Belgian companies will continue to rely on their nimbleness and flexibility to survive.

Information for the traveller



The Atomium in Brussels was built for the 1958 World Fair

■ Currency: Belgian franc 100 centimes = BFr 1. Exchange rate BFr66 = £1 (June 1988).
■ Currency regulations: Import no restrictions. Export no restrictions.
■ Tipping: Hotel staff BFr40-50. Restaurants service included in bill. Taxis nil. Porters BFr30.
■ Credit cards: Amex, Diners, Eurocard, Visa.
■ Visas: Not required by US, Japanese, most European nationals (up to 3 months).
■ Vaccinations: Smallpox, except residents of European countries, Canada and US.
■ Customs allowances: Import (EC countries) 300 cigarettes or 75 cigars or 400g tobacco, 1.5 litres spirits or 4 litres wine, other goods to value of BFr17,500. Other countries 200 cigarettes or 50 cigars or 250g tobacco, 1 litre wine or 0.25 litre spirits, other goods to value of BFr1,800.
■ Business hours: Offices 09.00-17.30 (Mon-Fri); shops 09.00-18.00 (Mon-Sat); banks 09.30-15.30 (Mon-Fri).
■ Business languages: Dutch, French, German and English.
■ National holidays: Jan 1, May 1, July 21, Aug 15, Nov 1, 2, 11, Dec 25,26.
■ Climate: Temperate. Wet winters, usually snow Dec-Mar.
■ Driving licence: International and foreign accepted, but a Belgian licence is obligatory for residents.
■ Water: Tap water is safe to drink.
■ Electricity supply: 220 volts AC 50 cycles.
■ National airline: Sabena World Airlines, (HQ) 35 rue Cardinal Mercier, 1000 Brussels. T 32 2 511 90 60.
■ Car hire: Avis, 145 rue Americaine,1050 Brussels, T 537 12 03.; Europcar, 20 rue de L'Abbaye, 1050 Brussels, T 640 01 95; Hertz, Blvd M. Lemonnier 8, 1000 Brussels. T 513 28 86.
■ Hotels in Brussels: Hotel Amigo, rue de l'Amigo 1-3,1000 Brussels, tel 511 59 10, tx 21618; Europa Hotel,107 rue de la Loi, 1040 Brussels, tel 230 13 33, tx 25121; Sheraton Hotel, 3 Place Rogier,1000 Brussels, tel 219 34 00, tx 26887; Hilton International, 38 Boulevard de Waterloo, 1000 Brussels, tel 513 88 77, tx 22744; Hyatt Regency, 250 rue Royale, 1210 Brussels, tel 217 12 34, tx 61871; Stephanie Hotel, 91-93 Avenue Louise, 1050 Brussels, tel 539 02 40, tx 61871; Metropole Hotel, 31 Place de Brouckere, 1000 Brussels, tel 217 23 00, tx 21234.
■ Useful addresses: National Bank, Banque Nationale de Belgique, 5 Blvd de Berlaimont, 1000 Brussels, tel 219 46 00. Govt Statistics, Institut National de Statistique, 44 rue de Louvain, 1000 Brussels, tel 513 96 50. Federation des Entreprises de Belgique, Belgium Employers Association. 4 Rue Ravenstein, 1000 Brussels, tel 515 08 11. British Chamber of Commerce, 30 rue Joseph 11, 1040 Brussels, tel 219 07 88. American Chamber of Commerce, 11 ave des Arts, 1040 Brussels, tel 513 67 70. Chambers of Commerce: Brussels – Chambre de Commerce de Bruxelles, 500 Av Louise, 1050 Brussels, tel 648 58 02; Antwerp – Kamer van Koophandel, Nijver van Antwerpen, Markgravestraat 12, 2000 Antwerp; Ghent – Kamer van Koophandel, Nijverheid van het Gewest Ghent, Building Lieven Bauwens, 15 Martelaarslaan, 9000 Ghent, tel 25 33 07; Liège, Chambre de Commerce et d'industrie de Liège, Rue des Augustins 46, 4000 Liège, tel 23 82 11.

Jo Metcalfe

Profile: Reznor Europe

A quality workforce

TIM PALMER, chief executive of Reznor Europe, is fond of saying that his company's manufacturing plant on the Belgian border with France is at "the crossroads of Europe". But Mr Palmer's enthusiasm for his company's location in West Flanders goes beyond his company's enviable access to the Continent's industrial markets. Reznor is a good example of a company which is achieving results with a Belgian workforce despite high labour costs.

Reznor has been making warm air heating and ventilation equipment in Belgium for industry and commerce since 1964. It has benefitted from an adaptable and highly literate workforce which *sets considerable store on job stability* after unhappier times in the 1960s, when many were "border workers" in the textile industry of northern France.

Reznor came to Belgium under the ownership of ITT with the the grandson of the founder Jesse B Reznor at the helm. Steered through the 1960s and difficult 1970s, Reznor Europe has emerged with its new owner, Bullough , as market leader in *Europe, taking a share of more* than one-third of the warm air market, with annual sales now in excess of £10m.

To achieve this position, Reznor has clearly had to fight its way into European markets well in advance of 1992. Bringing into line the mass of technical specifications for each EC member state will help Reznor's production costs, though all Reznor products are already homologated by the official approval bodies – such as British Gas in the UK – of all European countries. More significant benefits for Reznor from 1992 are likely to come from its competitors' ability to widen their markets and so spread the good name of warm air heating.

As market leader, with a well-established reputation for heat*ing solutions amongst its customers*, Reznor recognises its continued success will depend on the quality of each one of its heaters, many of which are custom made. The basic principle behind warm air heaters is simple. A flow of natural gas is burned in a series of pipes called a heat exchanger, while a fan blows air past the pipes turning it into a steady stream of hot air. The trick is to design the most efficient heat exchanger – *Reznor claims its* heaters achieve about 93 per cent efficiency.

Quality control is where being in Belgium becomes important. Mr Palmer reckons his workforce is "smarter" than he would expect to find in most other countries. The high level of literacy among the 128 employees means that his workers understand any hiccup along the production line and will readily respond. "Only one person here has difficulty in reading and writing and that's *me," says Mr Palmer engagingly.* In practice, he seems at home with the language despite difficult local dialects, though British businessmen thinking of setting up in Flanders would be well-advised not to underestimate the importance of speaking Dutch.

Holiday entitlement reaches 35 days a year

Offset against the attraction of the Flemish workforce, labour costs are steep – according to Palmer, almost twice as high as Reznor might expect in the UK. *High labour costs however, help* to justify the investment Reznor thinks is necessary to stay at the forefront of heating technology. Reznor employs computer-aided design and computer-run manufacturing processes. Even so, production and quality control remain relatively labour intensive.

In addition, Reznor's business is seasonal, peak producton coming between mid-September and mid-February. Working arrangements agreed with the workforce and unions mean that Reznor's employees often work as little as four days a week during the summer, while the return to high season can mean a working week of upto 42 hours. This suits both parties since many employees have small agricultural holdings and are able to enjoy the longer evenings.

Holidays in Belgium for Reznor are longer too, entitlement reaching as many as 35 days a year. Unsurprisingly, employees are encouraged to take the bulk of it during the low season.

With harmonious work practices in Belgium, Reznor's future performance is firmly linked to the continued expansion of natural gas in Europe. The advantages of gas are only beginning to be appreciated by some countries – Sweden, for example – disaffected with other sources of energy such as nuclear power. Others, like Spain and West Germany, are looking to natural gas as a cleaner, more plentiful, alternative to oil.

Hugo Gerard

Profile: Euroclear

Back office expands

BEHIND AN unassuming concrete facade near the centre of Brussels is the clearing house, Euroclear. It handles roughly two-thirds of the world's internationally traded securities, yet it is little known outside bond-dealing rooms. From Tokyo to Wall Street, Brussels is sent an average of 30,000 international transactions a day to be cleared.

Euroclear was founded in 1968 by Morgan Guaranty, the US bank, to provide a centralised clearing system for other banks' fast-growing Eurobond business – "a back office's back office," jokes one of its 650 staff. It is now branching outside that traditional business into other instruments, including 200 international equities, its fastest growth area despite last October's stock market crash.

Euroclear's only competitor, Cedel, was founded in Luxembourg in the early 1970s, initially to specialise in clearing bonds for the non Anglo-Saxon banks that felt uneasy dealing with a purely American organisation. However, Euroclear's US identity is less strong now that it is owned by the 128 largest banking and broking users of the system and operated under contract by Morgan Guaranty.

Today, *Euroclear prides itself* on handling 24 currencies in 20 languages.

The value of deals processed by Euroclear's computers on behalf of the system's 2,307 participants was just over $3,000bn last year, roughly twice the $1,560bn cleared by Cedel. Both of them are continuing to see business grow steadily, though Euroclear's turnover is growing less fast than in earlier years. For Euroclear, the slowdown was from a 48 per cent jump in turnover in 1985-86 to 32 per cent last year.

"It is a welcome period of subdued growth because it allows us to plan our next step. The development of international capital markets into one international market-place is irreversible – and that poses some considerable technological and regulatory challenges," says Mr Henning Toensmann, the Morgan Guaranty vice-president in charge of Euroclear's commercial division.

Euroclear and Cedel have been co-operating since last September, with the help of the Association of International Bond Dealers, to offer an electronic bridge to make their two systems interchangeable. However, there is separate pressure from stock exchange authorities round the world to create a single global system for clearing all kinds of securities – and the position of Euroclear and Cedel in all this is still uncertain.

A more immediate challenge is how Euroclear copes with different and sometimes conflicting national rules on equities dealing as it expands this area of the business. Euroclear acts as a nominee holder for all the securities it clears, which could pose a problem under the UK Stock Exchange rule that the holder of 29.9 per cent of the shares in a company must automatically bid for the rest.

"This could force us to trigger a bid, and for that reason we have not taken UK shares into the system," says Mr Toensmann. It is the loss of a big opportunity – but then clearing Japanese equities is at the top of Mr Toensmann's list just now. He hopes to have resolved a few complications on holding tax regulations to be ready to clear deals on the Tokyo market by the time the summer is out.

William Dawkins